



*Opening Summer 2012*

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FISCAL YEAR ENDED JUNE 30, 2011







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# Letter of Transmittal



## *Finance Department*

3300 Capitol Avenue, Building B, P.O. Box 5006, Fremont, CA 94537-5006  
510 494-4610 *ph* | 510 494-4611 *fax* | [www.fremont.gov](http://www.fremont.gov)

December 30, 2011

To the Honorable Mayor, Members of the City Council and  
Citizens of the City of Fremont, California

Various financing covenants and rules associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Fremont's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Caporicci & Larson, Inc., a subsidiary of Marcum, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Fremont's financial statements for the fiscal year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

## Letter of Transmittal

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### Profile of the Government

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the fourth largest city in the Bay Area and 96th among the most populous cities in the nation, according to the U. S. Census Bureau's "County and City Data Book: 2007" (the most recent data available). The City of Fremont contains 92 square miles and serves a population of just over 215,000. In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology and clean technology companies.

Fremont is a general law city and, as such, does not operate under the provisions of a voter-approved charter. Like other general law cities, and charter cities with only minor differences, the City has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the State Legislature. The rate and tax base of the City's other major general tax, sales tax, are also controlled by the State Legislature or the Constitution, rather than the City Council.

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Policy-making and legislative authority are vested in a five-member governing council consisting of the Mayor and four Councilmembers. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with two Councilmembers elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Councilmembers are elected at large and all are subject to two-term limits.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, recreational and cultural activities, and human services programs. The City also manages franchises for solid waste, cable television, and energy. Certain infrastructure construction and community development activities are provided through a legally separate redevelopment agency. The City Council sits as the redevelopment agency's board, and the agency functions, in essence, as a department of the City. Therefore, the Fremont Redevelopment Agency (Agency) has been included as an integral part of the City of Fremont's financial statements. Many major public services delivered within the City's boundaries, including water, wastewater, education, regional parks, and public transportation, are provided by other agencies. The City of Fremont is not financially accountable for the operations of the franchisees or these government agencies.

Increases of existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters, while taxes levied for specific

purposes require a two-thirds majority of voters, as do property tax levies used to pay for debt issued to build capital assets. In November 2002, Fremont voters approved an additional tax levy to build and upgrade fire stations and other public safety facilities throughout the City. The first series of those bonds was issued in July 2003, with a second series following in April 2005, and the final series in February 2009. Work funded by bond proceeds is now substantially complete.

Assessments have varying requirements for voter approval, ranging from approval through Council action unless challenged by a majority protest, to two-thirds voter approval, with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they be set at levels that do not exceed the reasonable costs of providing those services. As a result, fund balances generated by differences between fee revenue and related expenses are restricted for services and facilities that benefit fee payers.

### **Factors Affecting Financial Condition**

We believe the information presented in the financial statements is best understood when it is considered from the broader context within which the City of Fremont operates.

***Risk and volatility in funding sources collected or allocated by the State.*** The City Council cannot control the rates of the City's largest revenues. The State's Proposition 13-related revisions to the property tax allocation formula, its reductions to city and county sales tax rates, and its cuts to the personal property tax rate for vehicles illustrate the broad extent of the State's control of the City's revenues. This outside control adds to the volatile nature of City resources.

In November 2010, California voters approved Proposition 22, "The Local Taxpayers, Public Safety and Transportation Protection Act," a constitutional amendment to protect local government funding from State raids and borrowing. As the State continues to face significant budget challenges, it remains to be seen how effective this action will actually be.

***Local economy.*** Fremont is weathering the longest, deepest recession since the Great Depression, triggered by the far-reaching global impacts of the housing slump and the subprime mortgage meltdown. While the worst may be over, economic recovery is expected to be a long, slow process. Sales tax, property transfer tax, and vehicle license in-lieu fees have fallen significantly in the past two years. However, recent sales tax information is showing mixed results. Property transfer tax revenues are up significantly, although the value per transaction is less because of the large number of foreclosed properties on the market. Property tax revenues are holding relatively steady, but commercial valuation appeals have yet to be processed. These appeals could take another two years to settle, after which time a loss could be applied for the fiscal year just ended. It will take several years for revenue sources to fully recover from the effects of the recession.

***CalPERS.*** The California Public Employees' Retirement System (CalPERS) has suffered portfolio losses and earned sub-par yields in five of the last ten years. The impact of portfolio losses began to affect City retirement contributions in FY 2003/04. Because of actions taken by the CalPERS Board to mitigate the magnitude of employer rate fluctuations, the City's actuary projects that

## Letter of Transmittal

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the current higher rates will continue to remain in effect for the foreseeable future. Other factors adversely affecting employer rates are the change CalPERS made in its demographic assumptions. These factors will likely cause further increases in employer rates.

**State budget.** The State continues to face a multibillion dollar structural deficit in FY 2011/12 and beyond. The size of the deficit continues to be roughly \$20 billion. The passage of Proposition 22 protects local government from the State's borrowing or out-right taking of city money. However, the size of the State's budget deficit is significant, there are few options remaining, and it is not known with certainty at this time what steps the State will take next to address its budget challenges.

**Long-term financial planning.** The City Council has continued to focus attention on the long term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Midtown area.

In addition to retail development, efforts continue to expand Fremont's industrial base. Clean technology firms are establishing a cluster, which includes firms involved with research and development, as well as large scale manufacturing. It is expected that this industry sector will continue to find Fremont a desirable location due to affordable space, a qualified workforce, and a central Bay Area location.

**Redevelopment funding.** In June 2010, the Agency completed a plan amendment to increase its limit on the collection of tax increment revenue for the Industrial Project Area. This means that a number of ongoing and future Agency redevelopment efforts will be able to proceed. The most significant of these undertakings will be construction of the Irvington BART station. An effort had been underway to issue tax allocation bonds to fund construction of this station. However, that effort has been put on hold as all redevelopment agencies in California await the decision of the State Supreme Court on a legal challenge of two budget bills that dissolved redevelopment agencies (ABx1 26) and then allowed them to spring back to life by "opting in" to make payments to the State to help fund education (ABx1 27). More information about this litigation can be found in the MD&A.

### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the 27th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements. A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2010/11. This was the fourteenth consecutive year the City received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to express our appreciation to all the members of the departments who assisted in and contributed to the preparation of this report. Credit and thanks, also, to the City Manager, and the Mayor and City Councilmembers for their unflagging support for maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

Respectfully submitted,

A handwritten signature in blue ink that reads "Harriet V. Commons". The signature is written in a cursive, flowing style.

Harriet V. Commons, CPA  
Finance Director/Treasurer

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Located on the southeast side of the San Francisco Bay, Fremont is a city of over 215,000 people with an area of 92 square miles, making it the fourth largest city in the San Francisco Bay Area and ranks 96th among the most populous cities in the nation. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

The Fremont area was first settled with the establishment of Mission San Jose by the Spanish. In the mid-1840s, John C. Fremont

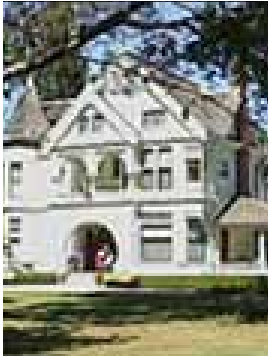
mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.





## City Council and Staff

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### City Council

Bob Wasserman, Mayor  
Suzanne Lee Chan, Vice Mayor  
Anu Natarajan, Councilmember  
Bill Harrison, Councilmember  
Dominic Dutra, Councilmember



### City Executive Staff

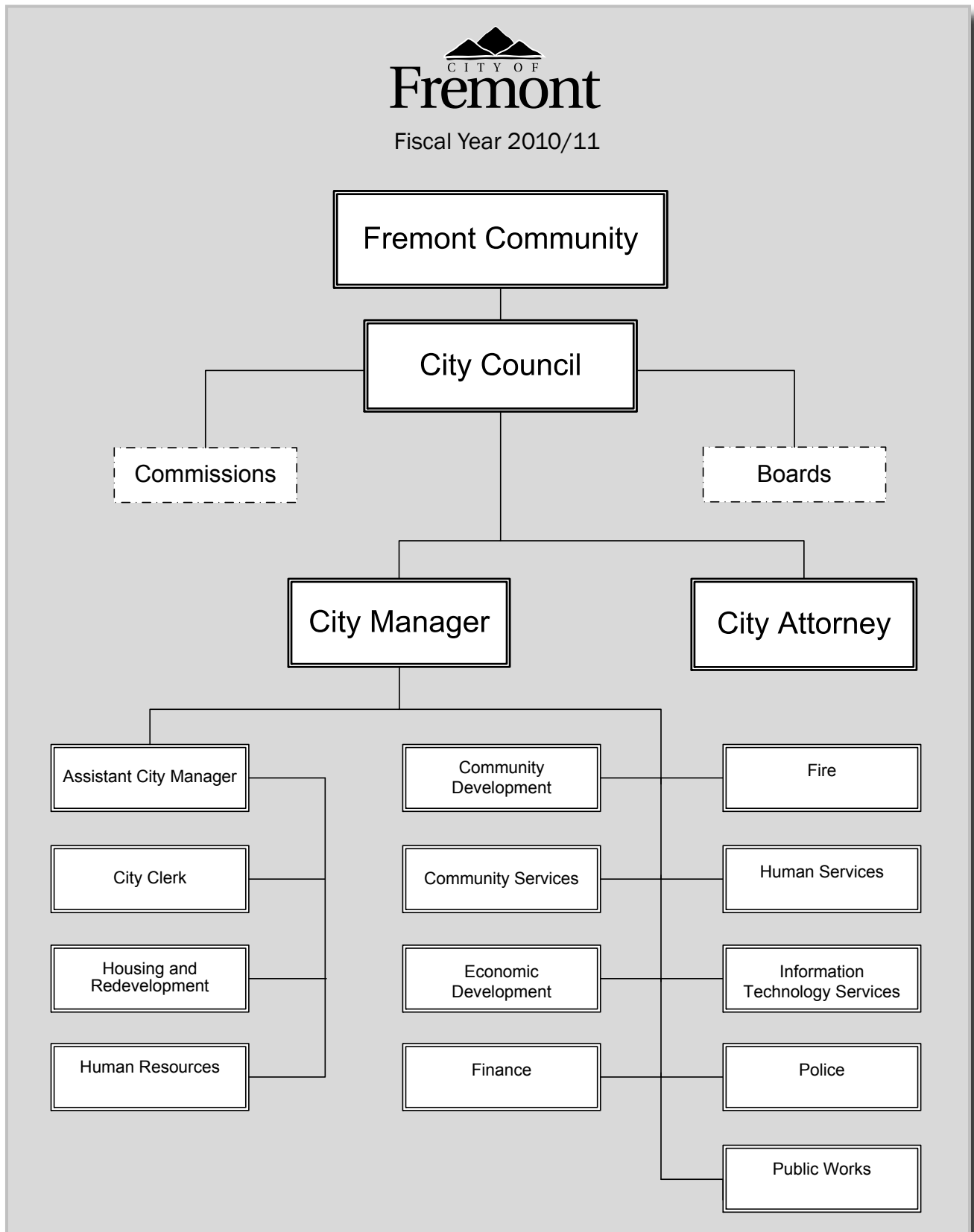
Fred Diaz, City Manager  
Harvey E. Levine, City Attorney  
Mark Danaj, Assistant City Manager  
Dawn G. Abrahamson, City Clerk  
Harriet Commons, Finance Director  
Marilyn Crane, Information Technology Services Director  
Annabell Holland, Community Services Director  
Norm Hughes, City Engineer  
Bruce Martin, Fire Chief  
Barbara Meerjans, Interim Planning Director  
Jim Pierson, Public Works Director  
Jeff Schwob, Community Development Director  
Suzanne Shenfil, Human Services Director  
Craig Steckler, Chief of Police  
Brian Stott, Human Resources Director  
Lori Taylor, Economic Development Director  
Elisa Tierney, Housing and Redevelopment Director



### CAFR Team

Henry Gudino, Finance Operations Manager  
Julie Battershell, Senior Accountant  
Tricia Fan, Senior Accountant  
Tish Saini, Accountant  
Ellen Zhou, Accountant  
Krysten Lee, Accounting Technician  
Elisa Chang, Executive Assistant/Graphic Artist





## Certificate of Achievement for Excellence in Financial Reporting



The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the 27th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and legal requirements. A Certificate of Achievement is valid for one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fremont  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Enos*

Executive Director

# Financial Section



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
Of the City of Fremont  
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in note 14 to the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Independent Auditors' Report

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To the Honorable Mayor and Members of City Council  
Of the City of Fremont  
Fremont, California  
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 31 and 89 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
December 29, 2011

As management of the City of Fremont, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our Letter of Transmittal, which can be found in the Introductory Section at the front of this report.

### FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, the assets of the City of Fremont exceeded its liabilities at by \$927,709,000 (*net assets*). Of this amount, \$33,743,000 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements. The amount of *unrestricted net assets* at June 30, 2011 is 21.2% less than the same amount from the prior year (\$42,803,743).
- Both revenues and expenses were less than the prior year. However, the City's total *net assets* on a city-wide basis increased by \$7,561,000.
- As of June 30, 2011, the City of Fremont's governmental funds reported combined ending fund balances of \$252,816,000, an increase of \$4,789,000 in comparison with the prior year. Of this amount, 91% (\$229,960,000) is not available for discretionary spending because the fund balances are either *restricted* for specific purposes by legal restrictions or external funding source providers, *committed* for specific purposes by City Council, *assigned* to liquidate contracts and purchase orders, or are *nonspendable* in form such as long term receivables. The remaining 9% (\$22,856,000) is *unassigned* fund balance available for spending at the City's discretion, but is also subject for future contingencies.
- As mentioned above, at the end of FY 2010/11, *unassigned* fund balance for the General Fund was \$22,856,000. Of this amount, \$14,642,000 was designated by City Council policy for unforeseen events (contingencies) and \$7,421,000 was designated by City Council to provide funds to deal with significant levels of potential financial volatility related to the uncertain economic environment and the unknown effects of the State budget. Both of these policies were adopted by City Council in June 1996 and revised in June 2009. Please refer to Note #1(L) for more information on the City's policies for contingencies.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## Management's Discussion and Analysis

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### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Fremont's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities on an entity-wide basis, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes and intergovernmental revenues. For the City of Fremont, governmental activities consist of police services, fire services, human services, capital assets maintenance, recreation services, community development and environmental services, and general government administration.

The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include three other entities that, although legally separate, are important because the City is financially accountable for them. These component units are the Redevelopment Agency of the City of Fremont (Agency), the Fremont Public Financing Authority (Authority), and the Fremont Social Services Joint Powers Authority (JPA). These component units have been included as an integral part of the City of Fremont (that is, their accounts are "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fremont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities shown in the government-wide financial statements.

The City of Fremont maintains forty-two individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following individual funds that are considered to be major funds:

- General Fund
- Redevelopment Agency Operations
- Low and Moderate Income Housing
- Redevelopment Agency Debt Service
- Redevelopment Agency Capital Projects
- Development Impact Fees
- Development Cost Center
- Recreation Services

Data for the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, and the Redevelopment Agency Operations, Development Cost Center, and Recreation Services funds. Budgetary comparison statements are provided elsewhere in this report to demonstrate compliance with the adopted budget.

**Proprietary funds.** The only proprietary funds the City has are internal service funds, which are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management activities and information technology services. Because these services exist to benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

## Management's Discussion and Analysis

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***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The only fiduciary funds the City has are agency funds. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements follow the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets, and about its progress in funding its obligation to provide pension benefits to its employees.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial position. In the case of the City of Fremont, assets exceeded liabilities by \$927,709,000 at the close of the 2010/11 fiscal year. In comparison, last year assets exceeded liabilities by \$920,148,000, after taking into account a prior period adjustment this year related to accrued interest on housing loans receivable.



## Management's Discussion and Analysis

Information about net assets is presented in the summary schedule, below:

### SUMMARY OF NET ASSETS JUNE 30, 2011 AND 2010 (dollars in thousands)

	2011	2010	Percentage Change
Current and other assets	\$ 310,642	\$ 304,957	1.9%
Capital assets	881,668	868,280	1.5%
<b>Total assets</b>	<b>1,192,310</b>	<b>1,173,237</b>	1.6%
Current liabilities	44,350	45,786	(3.1%)
Noncurrent liabilities	220,251	207,303	6.2%
<b>Total liabilities</b>	<b>264,601</b>	<b>253,089</b>	4.5%
Net assets:			
Invested in capital assets, net of related debt	685,668	682,687	0.4%
Restricted	208,298	194,657	7.0%
Unrestricted	33,743	42,804	(21.2%)
<b>Total net assets</b>	<b>\$ 927,709</b>	<b>\$ 920,148</b>	0.8%

Total assets were \$19,073,000 higher in FY 2010/11 compared to FY 2009/10 for a combination of reasons. There were \$13,388,000 in net capital asset additions, \$12,416,000 more in restricted cash from issuance of long term debt, and a \$512,000 increase in condemnation deposits. These increases were partially offset by decreases in current cash of \$6,167,000, primarily attributable to lower interest earnings, and a \$1,724,000 decrease in overall receivables primarily due from less reimbursements from grant funding sources.

Total liabilities were \$11,512,000 greater in FY 2010/11 compared to the prior fiscal year. The majority of the increase is due to issuance of \$15,000,000 in certificates of participation (long-term debt) in December 2010, less current payments for debt service of \$4,680,000.

By far, the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (22.5%) represents restricted resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (3.5%) may be used to meet the City's ongoing obligations to citizens and creditors.

## Management's Discussion and Analysis

The City's net assets increased by \$7,561,000 during the current fiscal year. Information about changes in net assets is presented in the summary schedule, below:

### SUMMARY OF CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (dollars in thousands)

	2011	2010	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 30,781	\$ 33,564	( 8.3%)
Operating grants and contributions	20,878	22,854	( 8.6%)
Capital grants and contributions	702	8,383	( 91.6%)
General revenues:			
Property tax	100,080	102,848	( 2.7%)
Sales tax	30,089	26,770	12.4%
Business tax	6,820	7,106	( 4.0%)
Transient occupancy tax	3,476	2,867	21.2%
Property transfer tax	1,031	976	5.6%
Vehicle license in-lieu fees	992	634	56.5%
Development impact fees	6,790	6,977	( 2.7%)
Franchise fees	8,215	7,929	3.6%
Investment earnings	4,297	6,359	( 32.4%)
Miscellaneous	4,327	8,393	( 48.4%)
<b>Total revenues</b>	<b>218,478</b>	<b>235,660</b>	( 7.3%)
<b>Program expenses:</b>			
General government	11,971	11,431	4.7%
Police services	54,926	55,616	( 1.2%)
Fire services	34,483	33,959	1.5%
Human services	8,908	8,939	( 0.3%)
Capital assets maintenance and operations	42,076	46,720	( 9.9%)
Recreation services	6,731	6,868	( 2.0%)
Community development and environmental services	45,448	52,911	( 14.1%)
Interest on debt	6,374	4,284	48.8%
<b>Total program expenses</b>	<b>210,917</b>	<b>220,728</b>	( 4.4%)
<b>Pollution remediation obligation</b>	<b>—</b>	<b>(475)</b>	100%
<b>Increase in net assets</b>	<b>7,561</b>	<b>15,047</b>	( 49.8%)
Net assets, beginning of year	920,148	914,741	0.6%
Prior period adjustment	—	(10,000)	100%
<b>Net assets, end of year</b>	<b>\$ 927,709</b>	<b>\$ 920,148</b>	0.8%

**Revenues.** Charges for services decreased by \$2,783,000 (8.3%) compared to the prior year. The decrease is mainly attributed to overall decreased development activity in response to the continuing sluggish economy and depressed housing market.

Operating grants and contributions decreased by \$1,976,000 compared to the prior fiscal year because of less federal grant revenue. American Recovery Revenue Act (ARRA) federal funds were one-time moneys disbursed in the prior fiscal year.

Capital grants and contributions decreased by \$7,681,000 (91.6%) compared to the prior year because significant street improvements and capital projects funded with grants and contributions were completed last year. The most significant completed project was a \$6 million street overlay project.

The City's property tax revenues decreased \$2,768,000 (2.7%) from the prior year. Although the City's general property tax was down modestly, this significant decrease occurred in the Redevelopment Agency. Less property tax increment was received as properties in the project areas continue to experience significant foreclosures and downward reassessments. Gross assessed value for secured property in the City decreased 0.3% from FY 2009/10 to FY 2010/11, compared to a decrease of 0.2% from FY 2008/09 to FY 2009/10. For the Redevelopment Agency, the decrease from FY 2009/10 to FY 2010/11 was 5.4%. There was virtually no change in gross assessed value for secured property in the Redevelopment Agency in the prior year.

On the flip side, sales tax revenue increased for the first time in several years. Compared to the prior fiscal year, sales tax grew by \$3,319,000 (12.4%). However, the total sales tax collected is still less than the amount collected in FY 2008/09. This year's increase is due to a \$1.75 million increase in the "triple flip" sales tax replacement payment, while the remainder is due to some recovery in business to business and auto sales, combined with increased gasoline prices.

After being flat or decreasing for the past few years, transient occupancy tax revenue increased by 21.2% (\$609,000) over last year. This is due to an increase in both hotel occupancy rates and room rates, and is an indicator of an economy that may be starting to recover.

Property transfer tax increased 5.6%, from \$976,000 in FY 2009/10 to \$1,031,000 in FY 2009/10, largely due to an increase in the number of transactions that occurred between fiscal years. However, the average dollar value per transaction was lower because of the significant number of foreclosed properties on the market.

Vehicle in-lieu license fees (VLF) increased by 56.5% over last year due to a \$453,000 one-time payment from the State for an audit of prior years' fees owed to cities. Without that one-time payment, VLF revenues actually decreased by 15% compared to the prior year.

Investment earnings were much lower in FY 2010/11 compared to FY 2009/10 because of lower cash on hand and lower yields compared to the prior fiscal year. In FY 2010/11, the average portfolio yield was 1.61%, compared to 2.13% in FY 2009/10.

## Management's Discussion and Analysis

**Program Expenses.** As total revenues decreased by 7.8% over the prior year, total program expenses also decreased by 4.4% to \$210,917,000 in FY 2010/11. For each governmental activity, the total costs are the expenses associated with that activity. Net costs take into account any revenues that support the costs of an activity directly, such as grants and charges for services. Information about the total cost and net cost of governmental activities is presented below:

### TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010 (dollars in thousands)

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2011</u>	<u>2010</u>	<u>% Change</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Police services	\$ 54,926	\$ 55,616	( 1.2%)	\$ 49,754	\$ 49,438	0.6%
Fire services	34,483	33,959	1.5%	30,930	30,348	1.9%
Human services	8,908	8,939	(0.3%)	3,123	3,648	( 14.4%)
Capital assets maintenance and operations	42,076	46,720	( 9.9%)	27,304	21,783	25.3%
Recreation services	6,731	6,868	(2.0%)	1,191	1,387	( 14.1%)
Community development and environmental services	45,448	52,911	( 14.1%)	28,908	34,526	( 16.3%)
General government	11,971	11,431	4.7%	10,971	10,514	4.3%
Interest on debt	6,374	4,284	48.8%	6,374	4,284	48.8%
<b>Total</b>	<b><u>\$ 210,917</u></b>	<b><u>\$ 220,728</u></b>	<b>( 4.4%)</b>	<b><u>\$ 158,555</u></b>	<b><u>\$ 155,928</u></b>	<b>1.7%</b>

Police services expenses decreased this year. Police salary and benefit costs were down because of vacancies and overtime charges were reduced because no major events occurred during the fiscal year. The increase in fire services is due to overtime costs.

Human services is flat in total cost of services but is lower than last year in net cost of services. The lower cost in net services is due to increased grant funding.

Total costs for capital assets maintenance and operations decreased 9.9%, primarily because of \$5.5 million in street overlay projects that were funded by the American Recovery and Reinvestment Act (ARRA) were completed last year. The lack of receipt of ARRA funds in FY 2010/11 is the primary cause for the significant increase in net cost of services.

Recreation services expenses this year are slightly lower compared to prior year. Net costs are slightly lower due to continued growth in attendance at the Water Park.

Community development and environmental services expense decreased by 14.1% (\$7,463,000) over the prior fiscal year due to significant decreases in spending in the Low and Moderate Income Housing fund, Redevelopment Agency Capital Projects fund, and Development Cost Center funds. While there were increases in housing projects of \$4.5 million, those increases were offset by reduced expenditures in development projects. Part of the decrease is also attributable to a

decrease in the State-required payment to the Supplemental Educational Revenue Augmentation Fund (SERAF). In FY 2009/10, Fremont's redevelopment agency was required to pay \$10,919,000. This amount decreased to \$2,248,000 in FY 2010/11, the last year for the SERAF requirement.

The total cost of general government services increased slightly by 4.7% (\$540,000). This is attributable to a one-time "clean-up" accrual of the compensated time off liability (resulting from the "banking" of overtime worked for future time off, rather than taking the overtime compensation in cash). For ease of administration, this adjustment was recorded as a "general government" expense when, in reality, it is attributable to all departments in the organization.

Interest on debt was 48.8% (\$2,090,000) greater in FY 2010/11 than in FY 2009/10. This is primarily attributable to the issuance of \$15 million of new debt in December 2010. A significant portion of the City's long-term debt is variable rate debt, and interest payments fluctuate weekly according to market rate changes. Overall, interest rates on variable rate debt were lower this year as compared to last year. However, there were a number of letter of credit and debt administration fees incurred this fiscal year because several letters of credit needed to be replaced, either because the financial institution (a European bank) was no longer providing letters of credit for California municipalities, or because concerns about the financial institution (another European bank) were causing the market to impose an interest penalty. Those issues have since been resolved, and the City's variable rate debt continues to reset each week at rates under 0.1%.

Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2010/11, the City's governmental funds reported combined ending fund balances of \$252,816,000, an increase of \$4,789,000 from the prior year. Of this amount, 0.7% (\$1,842,000) is nonspendable because it relates to prepaid assets and long term receivables, 81% (\$204,777,000) is legally restricted for specific purposes by enabling legislation or external funding source providers, 9% (\$22,378,000) is committed for specific purposes by the City Council, and 0.3% (\$962,000) is assigned to liquidate remaining balances on contracts and purchase orders (encumbrances). The remaining 9% (\$22,856,000) is unassigned fund balance available for spending at the City's discretion, but is also subject to Council policies established for future contingencies.

## Management's Discussion and Analysis

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The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

**General Fund** – The General Fund is the City’s chief operating fund. At the end of FY 2010/11, total fund balance was \$28,062,000, of which \$22,856,000 is unassigned. The primary components of this unassigned amount are \$14,642,000 (10.0% of budgeted expenditures and transfers out), designated by City Council policy for use for costs associated with unforeseen events (contingencies), in accordance with a policy adopted by the City Council in June 1996, and revised in June 2009, and \$7,421,000, set aside by Council policy to provide funds to deal with budget uncertainty, such as significant levels of potential financial volatility related to the uncertain economic climate and the unknown effects of the ongoing State budget imbalance. This year, \$3,418,000 was needed from this budget uncertainty set-aside to balance the General Fund operating budget, leaving a balance of \$7,421,000.

The fund balance of the City’s General Fund decreased by \$839,000 during the 2010/11 fiscal year, compared to a decrease of \$2,198,000 in the prior year. Revenues and transfers in of \$131,158,000 were 2.6% (\$3,378,000) higher than in FY 2009/10. Although total revenues were higher than last year primarily due to a \$3,320,000 increase in sales tax, there were decreases in property tax, business tax, and investment earnings that contributed negative revenue growth in the General Fund. Of the transfers in, \$2,350,000 was transferred into the fund balance amount designated for budget uncertainty from closed out or defunded capital projects. Expenditures and transfers out of \$131,997,000 increased by 1.6% (\$2,019,000). Transfers out of the General Fund were \$3,372,000 higher than last year. This reflects the move of Human Services activities into a special revenue fund because the majority of its funding comes from outside sources. Effective with FY 2010/11, there is no longer an expenditure line item in the General Fund for Human Services. Instead, this activity receives its General Fund resources as a transfer out (in the amount of \$3,622,000 this year), and a transfer into a special revenue fund.

**Redevelopment Operations Fund** – This is the Redevelopment Agency’s operating fund and it is funded with transfers from the Agency’s Debt Service Fund. This fund records the administrative expenditures required to support the Agency’s capital projects and includes pass-through payments to other taxing entities. This fund balance totaled \$6,745,000 at June 30, 2011, compared to \$109,000 a year earlier. The increase is attributable to a higher transfer in from the Agency’s Debt Service Fund, in anticipation of increased pass-through payments. However, the Agency’s final payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) and a one-time fixed ERAF payment, both totaling \$4.4 million, were paid from the Redevelopment Capital Projects Fund, rather than coming from this fund.

**Low and Moderate Income Housing Fund** – This fund receives 20% of the Redevelopment Agency’s tax increment revenue, \$7,016,000 in FY 2010/11, as a set-aside for development of affordable housing. This fund balance totaled \$18,360,000 at June 30, 2011, compared to \$19,839,000 a year earlier. The decrease in fund balance is mostly due to \$4.5 million more project expenditures compared to the previous year, primarily for the Eden Housing – Peralta Boulevard Senior Apartments project and the Main Street Village project. All of the fund balance is restricted for future low and moderate income housing projects as part of the Agency Board’s adoption of the Agency’s funding allocations plan and project appropriations plan.



**Redevelopment Agency Debt Service Fund** – This fund receives 80% of the Redevelopment Agency's tax increment revenue to repay outstanding debt and support the Agency's non-housing redevelopment projects. This amounted to approximately \$28,063,000 in FY 2010/11. Total tax increment revenue (including the 20% set-aside for housing) decreased 6% in FY 2010/11, to \$35,079,000 from \$37,311,000 in the previous fiscal year. Revenues are transferred from this fund to the Agency's Redevelopment Operations Fund to support operations, and to the Capital Projects Fund for non-housing projects. During FY 2010/11, the total transfer out of this fund was \$20,000,000, of which all went to fund operating expenditures. The major operating expenditure was pass-through payments to other taxing jurisdictions (\$11,880,000).

**Redevelopment Agency Capital Projects Fund** – This fund accounts for the remaining proceeds of tax allocation bonds and tax increment revenues that are not needed for debt service and can be used to fund the Agency's non-housing projects. Expenditures are shown in the community development and capital outlay categories. Fund balance totaled \$46,251,000 at June 30, 2011, compared to \$52,960,000 a year earlier. The decrease was due to completion of regional transportation projects (\$1.1 million) and redevelopment efforts in the historic district project areas (\$4.5 million). In addition, the State-mandated SERAF payment and a one-time fixed ERAF payment, together totaling \$4.4 million, were paid from this fund during the year.

**Development Impact Fees** – This fund represents the aggregate total of park dedication, park facility, fire impact, traffic impact and capital facility fees. These fees are levied on all new development in the City to pay for the construction and improvement of public facilities needed as a result of growth. Fees collected in FY 2010/11 were 2.7% lower than the amount collected in FY 2009/10, reflecting the continuing challenges of the severe recession. During FY 2010/11, 76.5% of this fund's expenditures (\$5,754,000) were for park-related projects, and 23.5% (\$1,770,000) were for traffic-related impacts. In addition, \$950,000 was transferred to another fund for debt service related to capital facilities.

Because these funds are collected for construction or improvements of public facilities, the fund balance of \$59,279,000 is restricted for capital projects, including park development and acquisition. These funds have not yet been spent because of the difficulty in obtaining suitable parcels of land and the operational maintenance impacts of adding new parks. These projects are progressing cautiously because of the need to ensure that sufficient operating revenues exist so that park facilities can be adequately and appropriately maintained.

**Development Cost Center** – This fund was established to account for engineering, planning, and building and construction inspection activities related to the City's land use planning and construction regulatory responsibilities. Its customers are not only the development community, but also the City itself for its own capital projects. User fees collected in this cost center are used for the benefit of the fee payers who are developing their real property by covering the costs of City regulatory programs.

Real property development activity has been significantly affected by the recession experienced in the past several years. In FY 2007/08, the total valuation of permits issued was \$390,898,000. In FY 2008/09, there was a large decline in building permit activity due to the economic downturn, and total valuation fell to \$217,729,000. In FY 2009/10, there was a significant increase in building permit activity and the total valuation was \$438,352,000. This was mainly due to a large increase in the commercial activity for large projects such as Solyndra. For FY 2010/11, the valuation

## Management's Discussion and Analysis

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declined to \$229,576,000. At the end of FY 2010/11, restricted fund balance totaled \$3,531,000, down slightly from \$3,694,000 in the prior year. This fund balance is restricted for community development purposes that benefit the fee payers and will be used to ensure some continuity of critical development services.

***Recreation Services*** – This fund was established to account for the transactions and activities related to delivery of recreation services. Fees collected for recreation services are used for the development of programs and facilities benefiting fee payers. Fees in the amount of \$5,533,000 were 1.1% higher in FY 2010/11 than in the prior year (\$5,473,000). Expenditures, however, decreased 3.3% (from \$6,730,000 to \$6,510,000). At the end of FY 2010/11, restricted fund balance was \$4,265,000, an increase from \$3,987,000 in the prior year. Because every effort is made to ensure that recreation services offered are those the community wants, the remaining fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during economic downturns.

***Non-major Governmental Funds*** – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2011, non-major funds had total fund balance of \$78,059,000 of which 76% (\$59,341,000) is legally restricted for specific purposes by external funding source providers and 24% (\$18,718,000) is committed for specific purposes by the City Council. More information about these aggregated non-major funds can be found in the combining statements immediately following the required supplementary information.



## GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget is prepared in accordance with generally accepted accounting principles. A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is as follows:

### SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2011 (dollars in thousands)

	Original Budget	Final Budget	Actual Budget Basis	Favorable (Unfavorable) Variance from Final Budget
<b>Beginning fund balance, July 1, 2010</b>	<b>\$ 23,761</b>	<b>\$ 23,761</b>	<b>\$ 28,901</b>	<b>\$ 5,140</b>
Resources:				
Revenues	120,435	120,435	122,588	2,153
Transfers in	6,344	6,344	8,570	2,226
<b>Total resources</b>	<b>126,779</b>	<b>126,779</b>	<b>131,158</b>	<b>4,379</b>
Charges to appropriations:				
Expenditures	118,321	118,031	116,046	1,985
Transfers out	19,111	19,401	15,951	3,450
<b>Total charges to appropriations</b>	<b>137,432</b>	<b>137,432</b>	<b>131,997</b>	<b>5,435</b>
Resources over (under) charges to appropriations	(10,653)	(10,653)	(839)	9,814
<b>Ending fund balance, June 30, 2011</b>	<b>\$ 13,108</b>	<b>\$ 13,108</b>	<b>\$ 28,062</b>	<b>\$ 14,954</b>

The actual beginning fund balance was \$5,140,000 higher than the beginning estimate used in the FY 2010/11 budget. Although total expenditures and transfers out during FY 2009/10 were \$2,199,000 greater than total revenues and transfers in, actual expenditures turned out to be less than estimated at the time of budget adoption, resulting in more fund balance with which to start FY 2010/11.

Overall, FY 2010/11 General Fund revenues and transfers-in were 3.5% (\$4,379,000) higher than budgeted. Compared to the prior year, revenues increased by 2.3% (\$122,588,000 in FY 2010/11, as compared to \$119,828,000 in FY 2009/10). This followed a year that saw a 6% decline in revenues.

Property tax is the City's main revenue source in the General Fund, and it decreased by \$202,000 or 0.3% from last fiscal year (from \$61,941,000 in FY 2009/10 to \$61,739,000 in FY 2010/11) with continuing foreclosure and negative appraisal activity. In addition, the County Assessor continues to review recent property sales to determine whether values are at or below market value. To

## Management's Discussion and Analysis

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the extent that values are in excess of market value, the Assessor is required by legislation implementing Proposition 13 to reduce the assessed value of those properties to market value.

Sales tax is the City's second largest source of revenue, and it is vulnerable to downturns in several segments of the economy. FY 2010/11 actually saw an increase for the first time in several years of \$3,319,000 over the previous fiscal year (from \$26,770,000 in FY 2009/10 to \$30,089,000 in FY 2010/11). The increase is attributed to a \$1.75 million increase in the State's "triple flip" property tax replacement payment, while the remainder is attributable to strengthening in business-to-business and auto sales, as well as increased gasoline prices for much of the year.

Transient occupancy tax increased 21.2% (\$609,000) over last year due to an increase in both hotel/motel occupancy rates and room rates. This is another indicator that the worst of the recession may be over.

Property transfer tax increased 5.6%, from \$976,000 in FY 2009/10 to \$1,031,000 in FY 2009/10, largely due to an increase in the number of transactions that occurred between fiscal years. However, the average dollar value per transaction was lower because of so many foreclosed properties on the market.

Vehicle in-lieu license fees (VLF) increased by 56.5% over last year due to a one-time payment from the State for an audit of prior years' fees owed to cities. Were it not for that one-time payment, VLF revenue would have actually decreased by 15% compared to the prior year.

Investment earnings were much lower in FY 2010/11 compared to FY 2009/10 because of lower amounts of cash on hand and lower yields compared to the prior fiscal year. In FY 2010/11, the average portfolio yield was 1.86%, compared to 2.51% in FY 2009/10.

Despite a very modest increase in revenues, active management of expenditures allowed the General Fund to end FY 2010/11 with an operating deficit of \$839,000, compared to an operating deficit of \$10,653,000 that was anticipated in the original adopted budget. As a result, the General Fund needed \$4,381,000 less of the fund balance designated for budget uncertainty than was anticipated at the time of budget adoption. This leaves a balance in the fund balance set aside for budget uncertainty of \$7,421,000.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Following is a summary of the City of Fremont's capital assets at June 30, 2011 and 2010:

**SUMMARY OF CAPITAL ASSETS**  
**JUNE 30, 2011 AND 2010**  
(dollars in thousands)

	2011	2010	Percentage Change
Land	\$ 214,729	\$ 212,988	0.8%
Land improvements	5,448	5,260	3.6%
Infrastructure – non-depreciable	456,125	452,991	0.7%
Infrastructure – depreciable	322,827	322,589	0.1%
Buildings and improvements	203,431	195,004	4.3%
Equipment	21,605	20,573	5.2%
Vehicles	27,606	28,432	( 2.9%)
Construction in progress	21,552	17,827	20.9%
<b>Total capital assets</b>	<b>1,273,323</b>	<b>1,255,664</b>	1.4%
Less: Accumulated depreciation	391,655	387,384	1.1%
<b>Governmental activities capital assets, net</b>	<b>\$ 881,668</b>	<b>\$ 868,280</b>	1.5%

The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$881,668,000 (net of accumulated depreciation), compared to \$868,280,000 in the prior year. These capital assets include land and land improvements, buildings, equipment, vehicles, streets, curbs and gutters, and construction in progress.

In FY 2010/11, the City added \$20,320,000 in new capital assets and disposed of \$2,662,000 in capital assets. The disposals consisted of vehicles and equipment that were almost fully depreciated. The net book value of disposed assets was \$259,000. Disposals are presented in the financial statements as a decrease in capital assets. The addition to building improvements reflects completed construction to the following facilities: Fire Station 3 for \$2,160,000; Fire and Police training facilities for \$1,363,000; and replacement of the roof at the Fremont Main Library for \$860,000. The increase in construction in progress is primarily due to the Police Building seismic retrofit for \$3,654,000, and the Warren Mission Grade Separation project for \$3,381,000.

The City has adopted the modified approach of GASB Statement No. 34 for its roads and streets, which means that these capital assets are not required to be depreciated if certain conditions (as described in Item 2 of the Required Supplementary Information following the notes to the financial statements) are met. As a result of the continuing decline of the Pavement Condition Index (PCI) rating, coupled with the severe recession gripping the Bay Area and the nation, the City Council, for FY 2009/10, reaffirmed the use of the modified approach for the City's streets and roads infrastructure, and established a revised range of acceptable condition standard to be "fair" as

## Management's Discussion and Analysis

measured by the City's pavement management system condition assessment index of between 50 and 69. Prior to FY 2009/10, the City's policy had been to achieve an average PCI rating of at least 70 for all of its roads and streets. At June 30, 2011, the City's roads and streets system was rated at an average PCI index of 61, down from the average PCI index of 62 in the prior year. With the continuing decline in the PCI index and the City's ongoing budget challenges, finding sufficient resources to fund street maintenance will be even more challenging for the foreseeable future.

Additional information about the City's capital assets can be found in Note 1.F and Note 4, following the basic financial statements.

### Long-term Debt

At the end of FY 2010/11, the City had \$196,685,000 in bonds and notes outstanding. Of this amount, \$148,480,000 is related to certificates of participation and \$48,205,000 is for general obligation bonds. Following is a summary schedule of outstanding debt:

#### SUMMARY OF LONG-TERM DEBT JUNE 30, 2011 (dollars in thousands)

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011
<b>General Obligation Bonds:</b>				
Fire Safety Bonds 2003 – Series A	\$ 8,770	\$ -	\$ 240	\$ 8,530
Fire Safety Bonds 2004 – Series B	24,490	-	540	23,950
Fire Safety Bonds 2009 – Series C	16,000	-	275	15,725
<b>Certificates of Participation (COPs):</b>				
1998 Public Financing Authority	9,965	-	320	9,645
1998 Public Financing Authority	14,720	-	640	14,080
2001 Public Financing Authority	29,705	-	875	28,830
2001B Public Financing Authority	7,600	-	420	7,180
2008 Public Financing Authority	27,275	-	490	26,785
2008 Public Financing Authority	47,840	-	880	46,960
2010 Public Financing Authority	-	15,000	-	15,000
<b>Total</b>	<b>\$ 186,365</b>	<b>\$ 15,000</b>	<b>\$ 4,680</b>	<b>\$ 196,685</b>

Of the outstanding debt, 45% is fixed rate debt (compared to 49% in the prior year), with an average interest rate of approximately 3.90% (compared to 4.20% in the prior year). The remaining 55% of the outstanding debt is variable rate debt, with an average interest rate of 0.17% as of June 30, 2011 (compared to 0.94% at the end of the prior fiscal year). The average interest rate on all outstanding City debt is 1.80% at June 30, 2011 (compared to 2.50% for the prior year).

The City Council adopted a debt policy in February 1996 that limits debt obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2011, debt obligations were approximately 3.6% of budgeted expenditures and transfers out, which is within the policy limit.

As of June 30, 2011, the three largest outstanding debt obligations were as follows:

- \$46,960,000 in capital COPs, issued on November 13, 2008, to finance the following:
  - » Refunding of outstanding 2002 variable rate COPs
  - » Provide \$15,700,000 of funding to construct Fire Station No. 11 and to acquire various pieces of major fire apparatus
- \$28,830,000 in capital COPs, issued in 2001, to finance the following:
  - » A police detention and property evidence storage facility
  - » HVAC improvements to the existing police building
  - » Retiring notes used to purchase land for a potential city hall site
  - » Acquisition of and improvements to new city offices at 3300 Capitol Avenue
  - » Acquisition of a site to be used for future construction of the City's Fire Station 11 in the southern Industrial Area. Construction was funded with a separate COP issue
- \$26,785,000 in capital COPs, issued on September 16, 2008, to finance the refunding of the outstanding 1990, 1991, and 2003 variable rate COPs

Additional information about the City's long-term debt can be found in Note 5, following the basic financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Like most cities in California and throughout the country, Fremont has been rocked by the longest and deepest recession since the Great Depression. The financial turbulence in the global markets, the nationwide mortgage crisis and related housing downturn, and the State's significant budget problems all affect Fremont's local economic environment.

The nation seems to finally be emerging from the longest, deepest recession since the Great Depression of the 1930s, although unemployment continues to be an issue. The national economy picked up considerably in the fourth quarter of 2010. The broadest measure of productivity in the United States, gross domestic product, increased at 6.5%, after lagging at about 1% for the first three quarters. Prior to that, gross domestic product had contracted for four consecutive quarters

## Management's Discussion and Analysis

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between the third quarter of 2008 and the second quarter of 2009, something that had not occurred since the late 1970s. The most recent strong showing is attributed to a shrinking trade deficit, a sudden resurgence in consumer demand, and a bounce in real estate sales. As it often does, California led the way into this economic abyss, and recovery here may be slower than in other parts of the country. Unemployment continues to be at an all-time high – and significantly higher than the national unemployment rate. The local situation was exacerbated by the closure of the NUMMI automobile plant on April 1, 2010, which resulted in the loss of 4,700 jobs locally, and 15,000 jobs in the region.

California now appears to be headed down the road toward economic recovery, but the trip will be long and difficult. Although there has been a slight increase in jobs, some sectors are still struggling. Not surprisingly, sectors tied to the housing market have been the hardest hit. The real estate, rental and leasing industries all hit new lows in January, and construction has yet to emerge from the doldrums. The retail sector, which has seen some decent growth on the spending side, has so far not been able to translate those gains into a significant number of new jobs. In its most recent economic outlook in April, Beacon Economics is forecasting a steady but prolonged recovery for California's economy.

Total budgeted resources (including use of a portion of fund balance) in the coming year will be adequate to support total budgeted expenditures of \$134 million. The FY 2011/12 budget is 2.4% less than the prior year's adopted budget because of continued spending reductions in the face of an uncertain economic recovery. The most significant reductions were achieved through negotiated agreements with all of the City's bargaining units to contribute more of their salary to help pay the significant increase in the City's contribution to the California Public Employees' Retirement System. The willingness of the City's employees to help close the budget gap is a reflection of their commitment to the organization and the community, and is a major step in putting the City on the road to fiscal sustainability.

Locally, the City faces two major challenges. First, unemployment remains at historically high levels, which continues to have an impact on consumer-related revenues. Second, property tax revenues continue to suffer because of the rippling effects of the subprime mortgage debacle, the tightening of real estate lending standards, and continued high levels of unemployment. Accordingly, management remains extremely cautious and concerned about future revenue growth and its ability to keep pace with the costs of much-needed basic services.

In addition, the State's continued budget problems are a real threat. Seventy-nine percent of the City's general revenue and 76% of its General Fund revenue are comprised of property and sales taxes and vehicle license fees controlled by the State Legislature. Fremont's financial future is directly linked to the fiscal health of the State government. Although a constitutional amendment (Proposition 1A) was passed by State voters in November 2004 that limits the amounts of reductions of local government revenues in FY 2006/07 and future years and characterizes those reductions as "loans" rather than "take-aways," management continues to be concerned because the State budget continues to have a significant structural imbalance.

In November 2010, California voters approved Proposition 22, which significantly limits the State's ability to access local funds to solve its own budget deficits. While certainly a significant step in the right direction of protecting local revenues, its effects are not retroactive, and it is unknown what additional actions the State may identify to solve its structural budget gap. In addition,

voters also passed Proposition 26, which broadens the definition of special taxes subject to a 2/3 voter approval. This action further limits the revenue raising capabilities of local government.

One action the State took to balance its FY 2011/12 budget was to dissolve redevelopment agencies (ABx1 26), and then give them the opportunity to spring back to life by “opting in” and committing to make payments to the State (ABx1 27). Both of these bills were challenged by the California Redevelopment Association and the League of California Cities as being unconstitutional under the provisions of Proposition 13, Proposition 22, and the core tax increment protections provided under Article 16, Section 16 of the State Constitution. The California Supreme Court agreed to hear the case on an expedited basis, and the Court issued a “stay” that effectively froze all redevelopment related activity in August 2011. The City had already taken the necessary actions to “opt in.” The Supreme Court is expected to issue its opinion in early January 2012.

The prudent budgeting and reserve policies developed since the last two recessions in the early part of the 1990s and the 2000s have enabled the City to manage through recent economic downturns. However, pressure is being placed on these reserves by the growing economic problems facing the entire country. Aggressive cost management, continued retail development, and fee increases along with the prudent use of fund balance and reserves can mitigate the impact of reduced revenues and cushion the effects on departmental budgets and services, but additional actions may be needed to keep the budget in balance. Management continues to monitor the budget closely, and to report regularly to the City Council.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fremont’s finances for all those with an interest in the City’s financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City’s Finance Director, Harriet Commons, at 3300 Capital Avenue, P. O. Box 5006, Fremont, California 94537-5006.



## Management's Discussion and Analysis

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# Basic Financial Statements

## Government-Wide Financial Statements

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# City of Fremont

## Statement of Net Assets

June 30, 2011

(With comparative totals for June 30, 2010)

ASSETS	Governmental Activities	
	2011	2010
Current assets:		
Cash and investments held by City	\$ 258,301,670	\$ 264,469,139
Restricted cash and investments held by fiscal agent or City	19,870,857	7,455,011
Receivables:		
Property tax	798,841	678,923
Sales tax	3,952,883	4,129,439
Due from other governmental agencies	7,560,089	8,000,253
Accrued interest	974,540	1,398,529
Other	3,990,148	4,792,736
Total receivables	17,276,501	18,999,880
Prepays	4,279,061	3,764,808
Total current assets	299,728,089	294,688,838
Noncurrent assets:		
Housing loans receivable	5,053,437	5,045,850
Condemnation deposits	1,324,485	812,150
Deferred charges	1,715,538	1,588,509
Land for sale	2,821,430	2,821,430
Capital assets:		
Nondepreciable assets	697,854,238	689,066,764
Depreciable assets, net	183,813,539	179,213,471
Total capital assets, net	881,667,777	868,280,235
Total noncurrent assets	892,582,667	878,548,174
<b>Total assets</b>	<b>1,192,310,756</b>	<b>1,173,237,012</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	6,680,323	9,249,673
Salaries and wages payable	6,693,672	5,191,049
Compensated absences	2,284,823	2,198,268
Claims payable	4,646,000	5,007,000
Due to other governmental agencies	14,109,883	13,065,957
Interest payable	1,751,625	2,008,027
Unearned revenue	3,293,691	3,149,579
Other liabilities	-	8,890
Long-term debt - due within one year	4,890,000	5,935,000
Total current liabilities	44,350,017	45,813,443
Noncurrent liabilities:		
Compensated absences	6,854,467	6,594,805
Claims payable	9,060,000	8,581,000
Pollution remediation obligation	1,066,889	2,425,000
Net other post employment benefits liability	10,660,000	6,957,000
Long-term debt - due in more than one year	192,609,979	182,718,009
Total noncurrent liabilities	220,251,335	207,275,814
<b>Total liabilities</b>	<b>264,601,352</b>	<b>253,089,257</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	685,667,798	682,627,226
Restricted for:		
Social service programs	7,469,582	6,430,993
Debt service	7,131,399	6,680,521
Public safety	13,983,749	7,043,810
Street improvements	24,281,177	29,281,173
Community development	150,679,249	140,519,065
Recreation programs	4,265,262	3,986,842
Other purposes	488,071	774,382
Total restricted	208,298,489	194,716,786
Unrestricted	33,743,117	42,803,743
<b>Total net assets</b>	<b>\$ 927,709,404</b>	<b>\$ 920,147,755</b>

See accompanying Notes to Basic Financial Statements.

# City of Fremont

## Statement of Activities and Changes in Net Assets

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 11,971,463	\$ 1,000,218	\$ -	\$ -	\$ 1,000,218
Police services	54,925,765	4,200,213	971,348	-	5,171,561
Fire services	34,482,857	2,819,447	733,598	-	3,553,045
Human services	8,908,446	1,563,341	4,222,048	-	5,785,389
Capital assets maintenance and operations	42,075,801	2,901,266	11,167,609	702,431	14,771,306
Recreation and leisure services	6,731,068	5,540,566	-	-	5,540,566
Community development and environmental services	45,447,180	12,755,944	3,783,042	-	16,538,986
Interest on debt	6,373,866	-	-	-	-
<b>Total</b>	<b>\$ 210,916,446</b>	<b>\$ 30,780,995</b>	<b>\$ 20,877,645</b>	<b>\$ 702,431</b>	<b>\$ 52,361,071</b>

### General revenues:

Property tax  
Sales tax  
Business tax  
Transient occupancy tax  
Property transfer tax  
Total taxes  
Vehicle in-lieu license fees  
Development impact fees  
Franchise fees  
Investment earnings  
Miscellaneous

### Total general revenues

### Extraordinary item:

Pollution remediation obligation

### Change in net assets

### Prior period adjustment

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
2011	2010
\$ (10,971,245)	\$ (10,513,897)
(49,754,204)	(49,437,625)
(30,929,812)	(30,348,258)
(3,123,057)	(3,647,472)
(27,304,495)	(21,783,187)
(1,190,502)	(1,387,194)
(28,908,194)	(34,525,745)
(6,373,866)	(4,284,166)
(158,555,375)	(155,927,544)
100,080,165	102,848,091
30,089,204	26,769,511
6,820,327	7,106,402
3,475,913	2,866,987
1,031,249	975,982
141,496,858	140,566,973
991,459	634,305
6,790,105	6,976,919
8,215,061	7,928,716
4,296,980	6,358,774
4,326,561	8,393,566
166,117,024	170,859,253
-	475,000
7,561,649	15,406,709
-	(9,999,722)
920,147,755	914,740,768
\$ 927,709,404	\$ 920,147,755

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# Basic Financial Statements

## Governmental Funds Financial Statements



**City of Fremont**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

(With comparative totals for June 30, 2010)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
<b>ASSETS</b>				
Cash and investments held by City	\$ 24,439,219	\$ 18,720,818	\$ 16,855,412	\$ 8,265,743
Restricted cash and investments held by fiscal agent or City	-	-	440,317	-
Receivables:				
Property tax	775,302	-	-	-
Sales tax	3,952,883	-	-	-
Due from other governmental agencies	940,195	13,771	-	-
Housing loans receivable, net	571,725	-	3,000,000	-
Accrued interest	974,525	-	-	-
Other	1,857,746	-	30,796	-
Due from other funds	2,236,463	-	-	-
Other prepaid assets	10,827	-	-	-
<b>Total assets</b>	<b>\$ 35,758,885</b>	<b>\$ 18,734,589</b>	<b>\$ 20,326,525</b>	<b>\$ 8,265,743</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,583,905	\$ 49,490	\$ 446,828	\$ -
Salaries and wages payable	5,374,037	46,567	19,879	-
Due to other funds	-	-	-	-
Due to other governmental agencies	-	11,893,675	-	-
Other liabilities	-	-	-	-
Deferred revenue	739,339	-	1,500,000	-
<b>Total liabilities</b>	<b>7,697,281</b>	<b>11,989,732</b>	<b>1,966,707</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable:				
Long term loan receivable	571,725	-	-	-
Prepaid assets	10,827	-	-	-
Restricted for:				
Social service programs	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	6,744,857	18,359,818	8,265,743
Recreation programs	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Program investment reserve	3,660,235	-	-	-
Assigned for:				
Other purposes	962,406	-	-	-
Unassigned	22,856,411	-	-	-
<b>Total fund balances</b>	<b>28,061,604</b>	<b>6,744,857</b>	<b>18,359,818</b>	<b>8,265,743</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,758,885</b>	<b>\$ 18,734,589</b>	<b>\$ 20,326,525</b>	<b>\$ 8,265,743</b>

See accompanying Notes to Basic Financial Statements.

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2011	2010
\$ 46,485,637	\$ 59,711,899	\$ 6,021,125	\$ 5,455,697	\$ 54,499,024	\$ 240,454,574	\$ 248,402,739
-	-	-	8,685	19,421,855	19,870,857	7,455,011
-	-	-	-	23,539	798,841	678,923
-	-	-	-	-	3,952,883	4,129,439
-	-	-	-	6,606,123	7,560,089	8,000,253
-	-	-	-	1,481,712	5,053,437	5,045,850
-	-	-	-	15	974,540	12,676,582
169,530	-	331,403	-	1,443,404	3,832,879	4,605,529
-	-	-	-	-	2,236,463	3,874,118
3,008,420	-	-	-	1,259,814	4,279,061	3,764,808
<u>\$ 49,663,587</u>	<u>\$ 59,711,899</u>	<u>\$ 6,352,528</u>	<u>\$ 5,464,382</u>	<u>\$ 84,735,486</u>	<u>\$ 289,013,624</u>	<u>\$ 298,633,252</u>
\$ 1,146,273	\$ 433,025	\$ 69,736	\$ 121,410	\$ 2,607,520	\$ 6,458,187	\$ 9,128,141
-	-	569,991	250,598	298,063	6,559,135	5,078,452
-	-	-	-	2,236,463	2,236,463	3,874,118
2,216,208	-	-	-	-	14,109,883	13,065,957
-	-	-	-	-	-	8,890
50,000	-	2,182,157	827,112	1,534,923	6,833,531	19,450,237
<u>3,412,481</u>	<u>433,025</u>	<u>2,821,884</u>	<u>1,199,120</u>	<u>6,676,969</u>	<u>36,197,199</u>	<u>50,605,795</u>
-	-	-	-	-	571,725	580,699
-	-	-	-	1,259,814	1,270,641	3,775,143
-	-	-	-	7,469,582	7,469,582	6,430,993
-	-	-	-	7,167,486	7,167,486	7,100,039
-	-	-	-	13,983,749	13,983,749	7,043,810
-	-	-	-	23,021,363	23,021,363	25,516,365
46,251,106	59,278,874	3,530,644	-	5,950,771	148,381,813	141,502,159
-	-	-	4,265,262	-	4,265,262	3,986,842
-	-	-	-	488,071	488,071	774,382
-	-	-	-	4,240,492	4,240,492	4,578,109
-	-	-	-	1,029,337	1,029,337	184,559
-	-	-	-	13,447,852	13,447,852	18,244,729
-	-	-	-	-	3,660,235	3,660,235
-	-	-	-	-	962,406	684,851
-	-	-	-	-	22,856,411	23,964,542
<u>46,251,106</u>	<u>59,278,874</u>	<u>3,530,644</u>	<u>4,265,262</u>	<u>78,058,517</u>	<u>252,816,425</u>	<u>248,027,457</u>
<u>\$ 49,663,587</u>	<u>\$ 59,711,899</u>	<u>\$ 6,352,528</u>	<u>\$ 5,464,382</u>	<u>\$ 84,735,486</u>	<u>\$ 289,013,624</u>	<u>\$ 298,633,252</u>

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# City of Fremont

## Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets

June 30, 2011

(With comparative totals for June 30, 2010)

	2011	2010
<b>Total Fund Balances - Total Governmental Funds</b>	\$ 252,816,425	\$ 248,027,457
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet, net of Internal Service Funds assets of \$2,484,606.	879,183,171	865,634,662
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(1,751,625)	(2,008,027)
Deferred charges on bonds not recorded in the governmental funds, which were previously recorded as expenditures and amortized over the terms of the bonds.	1,715,538	1,588,509
Condemnation deposits reported as noncurrent assets, while reported as capital outlay in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.	1,324,485	812,150
Internal service funds are used to charge the costs of insurance and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.	9,247,728	7,898,481
Housing loans are reported as deferred revenue in the Governmental Funds, but should be reflected as income in the Government-Wide Statement of Net Assets	571,725	580,699
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	2,968,115	4,441,906
Accruals for compensated absences are long term liabilities and are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(9,139,290)	(8,793,073)
Other Post Employment Benefits (OPEB) Liability on Government-Wide Statements, not in Governmental Funds	(10,660,000)	(6,957,000)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	(1,066,889)	(2,425,000)
Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	(197,499,979)	(188,653,009)
<b>Net Assets of Governmental Activities</b>	<b>\$ 927,709,404</b>	<b>\$ 920,147,755</b>

**City of Fremont**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2011**  
(With comparative totals for the year ended June 30, 2010)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
<b>REVENUES:</b>				
Property tax	\$ 61,738,762	\$ -	\$ 7,015,829	\$ 28,063,315
Sales tax	30,089,204	-	-	-
Vehicle license fees	991,459	-	-	-
Intergovernmental	142,362	-	-	-
Business tax	6,820,327	-	-	-
Other taxes	4,507,162	-	-	-
Impact fees	-	-	-	-
Franchise fees	8,215,061	-	-	-
Charges for services	8,266,409	-	-	-
Investment earnings	699,534	34,631	252,190	145,000
Other	1,117,956	119,769	732,839	-
<b>Total revenues</b>	<b>122,588,236</b>	<b>154,400</b>	<b>8,000,858</b>	<b>28,208,315</b>
<b>EXPENDITURES:</b>				
Current:				
General government	11,626,724	-	-	-
Police services	52,488,719	-	-	-
Fire services	31,415,705	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	18,294,596	-	-	-
Recreation services	-	-	-	-
Community development and environmental services	655,745	1,485,076	9,359,993	269,451
Intergovernmental	-	11,880,041	-	46,270
Capital outlay	382,790	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	1,181,929	-	45,000	-
<b>Total expenditures</b>	<b>116,046,208</b>	<b>13,365,117</b>	<b>9,404,993</b>	<b>315,721</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,542,028</b>	<b>(13,210,717)</b>	<b>(1,404,135)</b>	<b>27,892,594</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt issuance	-	-	-	-
Payments to defease bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	8,569,550	20,030,062	-	-
Transfers out	(15,950,636)	(183,956)	(74,645)	(20,000,000)
<b>Total other financing sources (uses)</b>	<b>(7,381,086)</b>	<b>19,846,106</b>	<b>(74,645)</b>	<b>(20,000,000)</b>
<b>Net change in fund balances</b>	<b>(839,058)</b>	<b>6,635,389</b>	<b>(1,478,780)</b>	<b>7,892,594</b>
<b>FUND BALANCES:</b>				
Beginning of year	28,900,662	109,468	19,838,598	373,149
End of year	<b>\$ 28,061,604</b>	<b>\$ 6,744,857</b>	<b>\$ 18,359,818</b>	<b>\$ 8,265,743</b>

See accompanying Notes to Basic Financial Statements.

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ 3,262,259	\$ 100,080,165	\$ 102,848,091
-	-	-	-	-	30,089,204	26,769,511
-	-	-	-	-	991,459	634,305
-	-	-	-	21,199,948	21,342,310	30,710,452
-	-	-	-	-	6,820,327	7,106,402
-	-	-	-	-	4,507,162	3,842,969
-	6,790,105	-	-	-	6,790,105	6,976,919
-	-	-	-	-	8,215,061	7,928,716
-	-	7,748,389	5,533,252	9,215,710	30,763,760	31,553,854
953,256	902,627	113,268	72,733	889,366	4,062,605	7,325,832
-	-	-	77,772	2,211,122	4,259,458	8,326,595
953,256	7,692,732	7,861,657	5,683,757	36,778,405	217,921,616	234,023,646
-	-	-	-	-	11,626,724	11,126,970
-	-	-	-	949,363	53,438,082	53,798,999
-	-	-	-	672,770	32,088,475	31,471,578
-	-	-	-	8,937,090	8,937,090	8,929,839
-	2,520,592	-	-	16,925,898	37,741,086	40,386,402
-	-	-	6,509,957	-	6,509,957	6,720,593
1,450,827	-	8,122,209	-	9,422,427	30,765,728	28,393,990
4,477,902	-	-	-	-	16,404,213	26,182,316
4,125,168	5,003,313	-	-	14,847,649	24,358,920	41,936,766
-	-	-	-	4,680,000	4,680,000	8,130,000
-	-	-	-	5,503,398	6,730,327	7,021,913
10,053,897	7,523,905	8,122,209	6,509,957	61,938,595	233,280,602	264,099,366
(9,100,641)	168,827	(260,552)	(826,200)	(25,160,190)	(15,358,986)	(30,075,720)
-	-	-	-	15,000,000	15,000,000	-
-	-	-	-	-	-	(22,085,000)
4,372,117	-	-	-	-	4,372,117	-
-	1,980,000	2,117,400	2,160,769	13,187,459	48,045,240	51,893,739
(1,980,000)	(950,000)	(2,020,468)	(1,056,150)	(5,053,548)	(47,269,403)	(51,187,268)
2,392,117	1,030,000	96,932	1,104,619	23,133,911	20,147,954	(21,378,529)
(6,708,524)	1,198,827	(163,620)	278,419	(2,026,279)	4,788,968	(51,454,249)
52,959,630	58,080,047	3,694,264	3,986,843	80,084,796	248,027,457	299,481,706
\$ 46,251,106	\$ 59,278,874	\$ 3,530,644	\$ 4,265,262	\$ 78,058,517	\$ 252,816,425	\$ 248,027,457

## City of Fremont

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	2011	2010
<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 4,788,968</b>	<b>\$ (51,454,249)</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	19,986,803	41,124,616
Condemnation deposit increase/decrease due to land acquired and legal expenses paid during the year.	512,335	797,150
Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	237,766	526,162
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation, net of \$272,127 from the Internal Service Funds is not reported as an expenditure in governmental funds.	(6,417,111)	(6,790,138)
Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(258,949)	(110,128)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.	(15,000,000)	-
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	6,180,000	30,215,000
Revenues that do not meet the criteria for accrual are recorded as deferred revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, these amounts are recorded as revenues.	(1,482,765)	731,950
The net change in interest payable on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources.	256,402	2,321,997
Unamortized long term discount/premium is accrued in Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, unamortized long term discount/premium is not reported as an expenditure in governmental funds.	(26,970)	481,618
Prepaid bond issuance costs are amortized in Government-Wide Statement of Activities and Changes in Net Assets, but are reported as expenditures in governmental funds.	127,029	(65,868)
Internal service funds are used to charge the costs of insurance and information technology, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	1,349,247	1,039,888
Accrual of OPEB liability on the Government-Wide Statement of Activities and Changes in Net Assets under full accrual	(3,703,000)	(3,569,239)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	1,358,111	475,000
Changes in long term compensated absences in governmental activities are not reported in governmental funds	(346,217)	(317,050)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 7,561,649</b>	<b>\$ 15,406,709</b>



# Basic Financial Statements

## Proprietary Fund Financial Statements

**City of Fremont**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Internal Service	
	2011	2010
<b>ASSETS</b>		
Current assets:		
Cash and investments held by City	\$ 17,847,096	\$ 16,066,400
Other receivables	157,269	187,207
Total current assets	18,004,365	16,253,607
Noncurrent assets:		
Depreciable assets	8,985,907	8,921,774
Less accumulated depreciation	(6,501,301)	(6,276,201)
Land held for resale	2,821,430	2,821,430
Total noncurrent assets	5,306,036	5,467,003
<b>Total assets</b>	<b>23,310,401</b>	<b>21,720,610</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	222,136	121,532
Salaries and wages payable	134,537	112,597
Claims payable	4,646,000	5,007,000
Total current liabilities	5,002,673	5,241,129
Noncurrent liabilities:		
Claims payable	9,060,000	8,581,000
Total noncurrent liabilities	9,060,000	8,581,000
<b>Total liabilities</b>	<b>14,062,673</b>	<b>13,822,129</b>
<b>NET ASSETS</b>		
Invested in capital assets	2,484,606	2,645,573
Unrestricted	6,763,122	5,252,908
<b>Total net assets</b>	<b>\$ 9,247,728</b>	<b>\$ 7,898,481</b>

See accompanying Notes to Basic Financial Statements.

**City of Fremont**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Fund**  
**For the year ended June 30, 2011**  
(With comparative totals for the year ended June 30, 2010)

	Internal Service	
	2011	2010
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 13,030,445	\$ 12,631,878
Other	67,103	66,971
<b>Total operating revenues</b>	<b>13,097,548</b>	<b>12,698,849</b>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	2,975,421	3,116,648
Insurance premiums	840,153	809,851
Provision for claim losses	5,550,373	5,492,170
Claims administration	288,082	250,868
Materials and supplies	1,235,662	1,263,431
Depreciation	256,272	272,127
Other	60,876	58,668
<b>Total operating expenses</b>	<b>11,206,839</b>	<b>11,263,763</b>
<b>OPERATING INCOME</b>	<b>1,890,709</b>	<b>1,435,086</b>
<b>NONOPERATING REVENUES:</b>		
Investment income	234,375	311,273
<b>Total nonoperating revenues</b>	<b>234,375</b>	<b>311,273</b>
Transfers in	38,109	77,607
Transfers out	(813,946)	(784,078)
<b>INCREASE IN NET ASSETS</b>	<b>1,349,247</b>	<b>1,039,888</b>
<b>NET ASSETS:</b>		
Beginning of year	7,898,481	6,858,593
End of year	<b>\$ 9,247,728</b>	<b>\$ 7,898,481</b>

See accompanying Notes to Basic Financial Statements.

# City of Fremont

## Statement of Cash Flows

### Proprietary Fund

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Internal Service	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from users	\$ 13,060,383	\$ 12,597,725
Other revenue	67,103	66,971
Less: Payments to suppliers	(2,263,293)	(2,797,873)
Payments for employees services	(2,953,481)	(3,132,246)
Payments for claims paid	(5,432,373)	(3,902,170)
Payments to others	(60,875)	(58,668)
<b>Net cash provided by operating activities</b>	<b>2,417,464</b>	<b>2,773,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on cash and investments	234,375	311,273
<b>Net cash provided by investing activities</b>	<b>234,375</b>	<b>311,273</b>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>		
Acquisition of capital assets	(95,306)	(164,657)
<b>Net cash provided (used) by capital activities</b>	<b>(95,306)</b>	<b>(356,247)</b>
<b>CASH FLOWS FROM NON-CAPITAL ACTIVITIES:</b>		
Transfers in	38,109	77,607
Transfers out	(813,946)	(784,078)
<b>Net cash (used) by noncapital activities</b>	<b>(775,837)</b>	<b>(706,471)</b>
<b>Net increase in cash and cash investments</b>	<b>1,780,696</b>	<b>2,213,884</b>
<b>CASH AND INVESTMENTS:</b>		
Beginning of year	16,066,400	13,852,516
End of year	<u>\$ 17,847,096</u>	<u>\$ 16,066,400</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 1,890,709	\$ 1,435,086
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	256,272	272,127
Changes in assets and liabilities:		
Other receivables	29,938	(34,153)
Accounts payable	100,605	(473,723)
Salaries and wages payable	21,940	(15,598)
Claims payable	118,000	1,590,000
<b>Net cash provided by operating activities</b>	<b>\$ 2,417,464</b>	<b>\$ 2,773,739</b>

See accompanying Notes to Basic Financial Statements.

# Basic Financial Statements

## Fiduciary Funds Financial Statements

**City of Fremont**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

		Total	
		2011	2010
<b><u>All Agency Funds</u></b>			
<b>Assets:</b>			
Cash and investments held by City	\$	11,395,134	\$ 14,403,877
Restricted cash and investments			
held by fiscal agent		7,190,260	8,357,971
Accounts receivable		23,390	636,922
Other receivables		4,460	59,982
<b>Total assets</b>	<b>\$</b>	<b>18,613,244</b>	<b>\$ 23,458,752</b>
<b>Liabilities:</b>			
Accounts payable	\$	508,935	\$ 1,083,627
Cash overdraft		1,657	47,953
Deposits		18,102,652	22,327,172
<b>Total liabilities</b>	<b>\$</b>	<b>18,613,244</b>	<b>\$ 23,458,752</b>

See accompanying Notes to Basic Financial Statements.

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# Notes to Basic Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### *A. Financial Reporting Entity*

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. These basic financial statements present the City and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief overview of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's Finance Department.

*Redevelopment Agency of the City of Fremont (Agency)* – A separate governmental entity established for the purpose of redeveloping certain areas of the City through development of industrial parks, commercial areas, and new residential housing. Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City. Separate financial statements for the Agency are available from the City's Finance Department.

*Fremont Public Financing Authority (Financing Authority)* – A joint powers authority formed by the City and the Agency, organized for the purpose of financing certain capital projects for the City or the Agency. Separate financial statements are not issued for the Financing Authority.

*Fremont Social Services JPA (Social Services JPA)* – A joint powers authority formed by the City and the Agency, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings that house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below-market rents over the 40-year lease term. Rents collected from CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings. Separate financial statements are not issued for the Social Services JPA.

The City Council serves in separate session as the governing body of the Agency, the Financing Authority, and the Social Services JPA. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

## Notes to Basic Financial Statements

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Other governmental agencies that provide services within the City include the following:

- Ohlone Community College District
- Fremont Unified School District
- Alameda County Flood Control & Water Conservation District
- Union Sanitary District
- Alameda County Water District
- East Bay Regional Park District
- Washington Township Hospital District and related organizations
- Alameda-Contra Costa Transit District
- Bay Area Rapid Transit District
- State of California
- County of Alameda

Financial information for the organizations listed above is not included in the accompanying basic financial statements because they have independently elected governing boards, their operations are separate from those of the City, and they are not financially dependent on the City.

### Governmental Activities

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following offices/departments: City Council, City Manager, City Attorney, City Clerk, Finance, and Human Resources. These offices provide services that support external as well other internal government functions of the City.

Police Services – The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail bookings.

Fire Services – The Fire Department is responsible for providing fire and life safety emergency services, including emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services.

Human Services – The Human Services Department offers a range of services to the community, including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Asset Maintenance and Operations – These services include maintenance of the City's capital assets and infrastructure, such as public buildings, parks, streets and vehicles.

Recreation Services – Services provided by the Community Services Department include performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, and management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Community Development Department and the Environmental Services Division of the Community Services Department and include community planning, engineering, code enforcement, building permit and inspection services, and environmental services that enhance and preserve a high quality living environment within the City.

Intergovernmental - In accordance with pass-through fiscal agreements with various taxing authorities, the Redevelopment Agency must claim 100% of its property tax increment for the redevelopment project areas and pass through contractually or statutorily determined amounts to other taxing authorities.

### ***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### **Government-Wide Financial Statements**

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal service fund balances in the Statement of Net Assets have been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

## Notes to Basic Financial Statements

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### Governmental Fund Financial Statements

Governmental Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City reports the following major governmental funds:

General Fund – This fund is the City’s primary operating fund. It accounts for all financial resources and outlays of the general government. The fund receives the City’s discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.

Redevelopment Agency Operations – This is the Redevelopment Agency’s operating fund and is funded with transfers from the Debt Service Fund. This fund records the administrative expenditures required to support the Agency’s capital projects and includes pass-through payments to other taxing entities and tax increment revenue shifted to the State’s Educational Revenue Augmentation Fund.

Low and Moderate Income Housing – This fund receives 20% of the Redevelopment Agency’s tax increment revenue as a set aside for affordable housing developments.

Redevelopment Agency Debt Service Fund – This fund receives 80% of tax increment revenue to support the Agency’s non-housing redevelopment projects. Revenues are used to pay annual principal and interest charges on the Agency’s tax allocation bonds, and may also be transferred to the Agency’s Operations Fund or Capital Projects Fund, as needed.

Redevelopment Agency Capital Projects – This fund includes the remaining proceeds of the tax allocation bonds and tax increment revenues that are designated for the Agency’s non-housing projects. Expenditures are shown in the community development and capital outlay categories.

Development Impact Fees – This fund accounts for impact fees levied under California Government Code Sections 66000 et seq., “Fees for Development Projects” (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to defray all or a portion of the cost of additional public facilities needed to provide service to new development.

Development Cost Center – This fund accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects.

Recreation Services – This fund accounts for all recreation programs and services, including Central Park and activities of the community centers. User fees are generated from the various classes and programs offered to the public. All costs of these programs are funded from these fees.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences between the integrated approach of GASB Statement No. 34 and the traditional approach of fund accounting.

### **Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the full accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.



## Notes to Basic Financial Statements

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The City reports the following proprietary fund:

Internal Service – These funds account for the Risk Management and Information Technology services provided to other City departments on a cost reimbursement basis.

Internal service fund balances and activities have been combined with governmental activities in the government-wide financial statements.

### Fiduciary Funds Financial Statements

Fiduciary fund financial statements consist of a Statement of Net Assets. The City's fiduciary funds consist of agency funds, which are custodial in nature and do not involve measurement of results of operations. The agency funds use the accrual basis of accounting.

The City reports the following agency funds:

Local Improvement Districts – This fund accounts for the special assessment bonds issued by local improvement districts or community facility districts under various public improvement acts of the State of California and secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. Property owners are assessed their proportionate share, and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders and initiating foreclosure proceedings when necessary.

Performance Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police, and other deposits held by the City as a fiduciary.

Tri-City Waste Facility Financing Authority – This fund accounts for revenue bonds issued by the cities of Fremont, Newark and Union City for the closure of the Durham Road Landfill. The outstanding revenue bonds were paid in full in February 2010.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of the Geographic Information System (GIS) through a JPA. The City is the administrator of the GIS, which serves the participating agencies. The parties to the JPA are the City of Fremont, City of Newark, Union Sanitary District, and Alameda County Water District. The City of Union City was a member agency until it elected to withdraw, effective February 2011.

### C. Cash and Investments

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other fixed income investments with varying terms.



In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB No. 3*, certain disclosures for deposits and investment risks are made in the following areas:

- » Interest Rate Risk
- » Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk

In addition, Note 2 provides information about the City's deposits and investments, highly (interest) sensitive investments, and the credit quality of the investments held at year-end.

Investments are presented at fair value except as noted below. The fair value of participants' positions in the external investment pool are the same as the value of the investment pools' shares and investment income, which includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities (notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earnings investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates market value. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. These structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

### ***D. Restricted Cash and Investments***

Certain restricted cash and investments are held by a fiscal agent or the City for the redemption of bonded debt and for acquisition and construction of certain capital projects.

### ***E. Interfund Transactions***

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

Transfers – Transactions to allocate the occurrence of specific expenditures within the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

# Notes to Basic Financial Statements

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*Loans Between Funds* – Transactions to loan resources from one fund to another. The interfund loans will be paid back when permanent financing is obtained or definitive funding sources become available. Short-term loans are recorded as “due from other funds” in the disbursing fund and “due to other funds” in the receiving fund.

## F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at \$25,000 and for all other capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, as follows:

Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 - 25 years
Infrastructure	15 - 100 years
Vehicles	5 - 27 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system, park and recreation lands and improvements system, storm water collection system, and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business.

The City uses the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. For all other infrastructure systems, the City uses the basic approach, as defined by GASB Statement No. 34.

The City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001, and has completed internal updates for June 30, 2011. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line cost method, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

## G. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers’ compensation claims. The estimated liability for workers’ compensation claims and general liability claims includes incurred but not reported (IBNR) claims. There is no fixed payment schedule to pay any of these liabilities.

### *H. Compensated Absences*

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it is expected to be settled with current financial resources.

### *I. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *J. Net Assets and Fund Balances*

#### **Government-Wide Financial Statements**

In the government-wide financial statements, net assets are reported in one of three categories:

*Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

*Restricted Net Assets* reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.

*Unrestricted Net Assets* represents net assets of the City that are not restricted for any project or purpose.

## Notes to Basic Financial Statements

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### Fund Financial Statements

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for government funds are reported in the following categories:

*Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.

*Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.

*Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by City Council or an official to which the City Council has delegated the authority (generally, to the City Manager) to assign amounts to be used for specific purposes.

*Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

### ***K. Use of Restricted/Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

With respect to fund balance, the City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance is available.

### ***L. Minimum Fund Balance Policies***

Budget policies adopted by the City Council and incorporated into the annual operating budget require the City to maintain the following three General Fund reserves: the Contingency Reserve, the Program Investment Reserve, and the Budget Uncertainty Reserve.

- Contingency Reserve – Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if the need arises. The Contingency Reserve is funded at a level at least equal to 10% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. This reserve balance is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement” as defined in GASB Statement No. 54.
- Program Investment Reserve – The Program Investment Reserve provides a source of working capital for the following: a) new programs or undertakings that have potential for receiving significant funding from outside sources, and b) organization retooling, process improvement, and strategic entrepreneurial opportunities. The Program Investment Reserve is funded at a level equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve must be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by City Council at the time of usage approval, with a target repayment period of no more than three years. This reserve balance is reported as committed fund balance in the General Fund.
- Budget Uncertainty Reserve – The Budget Uncertainty Reserve is intended to offset quantifiable uncertainty in the multi-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:
  - » **Revenue risks:** Revenues falling short of budget projections causing budget shortfalls.
  - » **State budget risks:** Possibility of State implemented budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues).
  - » **Uncontrollable costs:** The City requires a source of supplemental funding for things like further increases in CalPERS retirement rates resulting from CalPERS investment performance falling short of actuarial assumptions; and other cost increases beyond City control (e.g., various fuel and utility charges).

All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be assigned for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. This reserve is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement” as defined in GASB Statement No. 54.

# Notes to Basic Financial Statements

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## M. Property Tax

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool and are then allocated to cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing entities, including the City and the Agency. Accordingly, the City and the Agency accrue only those taxes that are received from the County within sixty days after year-end.

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 31 of the tax year by the County Assessor.

Lien Date (Secured)	January 1
Levy Date	January 1
Secured Taxes – Due Date	November 1 and February 1
Secured Taxes – Delinquency Date	December 10 and April 10
Unsecured Taxes – Due Date	July 1
Unsecured Taxes – Delinquency Date	August 31

Neither the City nor the Agency has the ability to control the levy rate or the amount of property taxes remitted by the County because these are governed by State law.

## N. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

## O. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the City.



### *P. Implementation of New GASB Pronouncements*

The City has implemented the following new Governmental Accounting Standards Board pronouncement:

- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*  
– The purpose of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the fund balance in the governmental funds.

## 2. CASH AND INVESTMENTS

The City maintains an internal cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as cash with fiscal agents. Investment income earned on pooled cash and investments is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

### *A. Authorized Investments*

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio's composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

## Notes to Basic Financial Statements

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Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counter party's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years issued by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a maximum maturity of five years.
- Guaranteed investment agreements for funds that can be invested longer than five years with final maturity not to exceed ten years.
- Other investments that are permitted by bond indenture agreements.



## Notes to Basic Financial Statements

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent, at June 30, 2011.

	Government-Wide Statement of Net Assets Governmental Activities	Fiduciary Funds Statement of Net Assets	Totals
Investments	\$ 261,047,868	\$ 11,395,134	\$ 272,443,002
Restricted investments held by city	2,358,680	-	2,358,680
Subtotal	263,406,548	11,395,134	274,801,682
Checking account balance and petty cash	(2,746,198)	-	(2,746,198)
Total held by the city	260,660,350	11,395,134	272,055,484
Restricted cash and investments held by fiscal agent	17,512,177	7,190,260	24,702,437
Totals	\$ 278,172,527	\$ 18,585,394	\$ 296,757,921

### B. Deposits

At June 30, 2011, the carrying amount of the City's time deposits was \$4,058,459 and demand deposits was (\$2,746,198). The difference between the bank balance of \$4,771,681 and the carrying amount resulted from outstanding checks and deposits in transit. Of the time deposits and demand deposits, \$1,550,000 was covered by federal depository insurance and \$3,221,681 was collateralized with securities held by the counter party or its agent in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

### C. Risk Disclosures

In the government-wide funds, restricted cash and investments held by the City are related to general obligation bonds. Restricted cash and investments held by fiscal agent in the Fremont Public Financing Authority Debt Service Fund and in the Capital Improvement Fund are restricted for the payment of principal and interest on certificates of participation and capital project expenditures. In the fiduciary funds, restricted cash and investments relate to special assessment bonds.

## Notes to Basic Financial Statements

**Interest Rate Risk.** At June 30, 2011, the City held no investments that are “highly sensitive to interest rate fluctuations” as defined by GASB 40. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2011, the City’s pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	68%
One to two years	10%
Two to three years	6%
Three to four years	6%
Four to five years	10%

The weighted-average life of the portfolio was 379 days, without regard to call features of many of the bonds held in the portfolio.

As of June 30, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>INVESTMENT MATURITIES</u>				
		<u>1 Year or Less</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>	<u>4-5 Years</u>
U.S. Agencies	\$ 49,079,558	\$ 5,060,850	\$ 15,924,422	\$ 5,002,108	\$ 4,014,285	\$ 19,077,893
U.S. Treasuries	9,482,891	-	-	2,010,400	-	7,472,491
Medium Term Notes	47,948,633	14,805,059	10,822,115	8,606,440	11,732,369	1,982,650
Money Market Accounts	64,074,494	64,074,494	-	-	-	-
Pooled Accounts	100,157,647	100,157,647	-	-	-	-
Time Deposits	4,058,459	4,058,459	-	-	-	-
Total	\$ 274,801,682	\$ 188,156,509	\$ 26,746,537	\$ 15,618,948	\$ 15,746,654	\$ 28,533,034

**Credit Risk.** It is the City’s policy that commercial paper have a credit rating of A1 by Standard & Poor’s or P-1 by Moody’s Investors Service. Corporate bonds and medium-term notes must have a rating of A or better. Mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The City’s investments in federally sponsored agencies are rated AAA by Standard & Poor’s and Moody’s Investors Service. Medium term notes and corporate bonds are rated from A to AAA by Standard & Poor’s and Moody’s Investors Service. Money market funds are rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. Time and demand deposits over \$250,000 are collateralized by the financial institution.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds, time deposits, and LAIF, are held by a third-party custodian, Bank of New York Mellon (BNYM). BNYM is a registered member of the Federal Reserve Bank. The securities held by BNYM are in street name, and a customer number assigned to the City identifies ownership.

### ***D. Fair Value Adjustment***

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The total amount of the fair value gain adjustment as of June 30, 2011 was \$3,024,848. At June 30, 2010, the total fair value gain adjustment was \$3,307,648. The change in value between the two periods amounted to an unrealized loss of \$282,800 for fiscal year 2010/11.

### ***E. External Investment Pool***

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool that is not rated. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of this state. The City values its investments in LAIF at amortized cost, which approximates the fair value.

The City's investments with LAIF at June 30, 2011, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- Asset-Backed Securities entitle the purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs), small business loans, or credit card receivables.

As of June 30, 2011, the City had \$100,000,000 invested in LAIF, which had 5.01% of the pool investment funds in structured notes and asset-backed securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.001576470 to the total investments held by LAIF.

## Notes to Basic Financial Statements

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### 3. RECEIVABLES

As of June 30, 2011, the City had the following receivables:

#### *A. Housing Loans Receivable*

At June 30, 2011, the City was owed, in its Community Development Block Grant Fund, \$1,465,151, for various housing assistance loans made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans.

The Redevelopment Agency used HELP Program (Housing Enabled by Local Partnerships) funds as a loan fund for issuing construction loans to affordable housing developers. The Redevelopment Agency borrowed \$3 million from the HELP Program and issued \$3 million in loan proceeds to Allied Housing for the Main Street Village project. The term of the loan to the developer is 55 years with 3% simple interest per annum commencing on May 17, 2010, the date of the loan agreement.

The City has issued various other housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Accrued interest on the loans is recorded as interest receivable with an offsetting allowance for uncollectible amounts because the City's revenue recognition criteria have not been met. The cumulative amount of these loans as of June 30, 2011 is \$80,192,569, and the accumulated interest receivable is \$12,801,000.

#### *B. Housing Assistance Loan*

In October 2005, the City made a housing assistance loan to a public safety department head to facilitate the acquisition of a residence in Fremont. The outstanding loan balance at June 30, 2011 was \$571,725. Additional details of this loan agreement are described in Note 13.

#### *C. Interest Receivable*

Interest receivable at June 30, 2011 consists \$974,540 related to investments held by the City in its pooled cash and investments.

#### 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, consists of the following:

	Balance June 30, 2010	Increase	Decrease	Transfers	Balance June 30, 2011
Nondepreciable Assets:					
Land	\$ 212,988,266	\$ 1,740,741	\$ -	\$ -	\$ 214,729,007
Land improvements	5,260,249	-	-	188,222	5,448,471
Infrastructure	452,991,280	3,133,209	-	-	456,124,489
Construction in progress	17,826,969	7,130,080	-	(3,404,778)	21,552,271
Total nondepreciable assets	<u>689,066,764</u>	<u>12,004,030</u>	<u>-</u>	<u>(3,216,556)</u>	<u>697,854,238</u>
Depreciable Assets:					
Building and improvements	195,004,039	5,869,232	-	2,558,040	203,431,311
Equipment	20,573,185	418,710	(45,635)	658,516	21,604,776
Vehicles	28,431,450	1,790,136	(2,615,903)	-	27,605,683
Infrastructure	322,588,886	237,766	-	-	322,826,652
Total depreciable assets	<u>566,597,560</u>	<u>8,315,844</u>	<u>(2,661,538)</u>	<u>3,216,556</u>	<u>575,468,422</u>
Less Accumulated Depreciation For:					
Building and improvements	(44,724,255)	(3,696,296)	-	-	(48,420,551)
Equipment	(15,263,740)	(772,261)	45,635	-	(15,990,366)
Vehicles	(16,507,962)	(1,546,246)	2,356,954	-	(15,697,254)
Depreciable infrastructure	(310,888,132)	(658,580)	-	-	(311,546,712)
Total accumulated depreciation	<u>(387,384,089)</u>	<u>(6,673,383)</u>	<u>2,402,589</u>	<u>-</u>	<u>(391,654,883)</u>
Total depreciable assets, net	<u>179,213,471</u>	<u>1,642,461</u>	<u>(258,949)</u>	<u>3,216,556</u>	<u>183,813,539</u>
Total capital assets, net	<u>\$ 868,280,235</u>	<u>\$ 13,646,491</u>	<u>\$ (258,949)</u>	<u>\$ -</u>	<u>\$ 881,667,777</u>

Depreciation expense was charged to functions and programs of the primary government, as follows:

Governmental Activities:	
General government	\$ 408,232
Police services	763,786
Fire services	1,786,772
Human services	22,034
Capital assets maintenance and operations	3,409,483
Recreation services	211,824
Community development and environmental services	71,252
Total depreciation expense, governmental activities	<u>\$ 6,673,383</u>

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the

## Notes to Basic Financial Statements

modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its pavement system. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, are reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

### 5. LONG-TERM DEBT

A summary of changes in governmental activities long-term debt and compensated absences for the year ended June 30, 2011, is as follows:

	Interest Rates	Amounts Outstanding June 30, 2010	Incurred or Issued	Satisfied or Matured	Amounts Outstanding June 30, 2011	Amounts Due Within One Year	Amounts Due in More than One Year
<b>General Obligation Bonds</b>							
Fire Safety Bond 2003	1.00-4.40%	\$ 8,770,000	\$ -	(\$ 240,000)	\$ 8,530,000	\$ 250,000	\$ 8,280,000
Fire Safety Bond 2005	3.50-5.00%	24,490,000	-	(540,000)	23,950,000	570,000	23,380,000
Fire Safety Bond 2009	2.00-6.00%	16,000,000	-	(275,000)	15,725,000	290,000	15,435,000
<b>Total general obligation bonds</b>		<b>49,260,000</b>	<b>-</b>	<b>(1,055,000)</b>	<b>48,205,000</b>	<b>1,110,000</b>	<b>47,095,000</b>
<b>Certificates of Participation</b>							
1998 Public Financing Authority	Variable	9,965,000	-	(320,000)	9,645,000	340,000	9,305,000
1998 Public Financing Authority	3.80-4.75%	14,720,000	-	(640,000)	14,080,000	670,000	13,410,000
2001 Public Financing Authority	Variable	29,705,000	-	(875,000)	28,830,000	910,000	27,920,000
2001B Public Financing Authority	Variable	7,600,000	-	(420,000)	7,180,000	440,000	6,740,000
2008 Public Financing Authority	1.80-5.30%	27,275,000	-	(490,000)	26,785,000	505,000	26,280,000
2008 Public Financing Authority	Variable	47,840,000	-	(880,000)	46,960,000	915,000	46,045,000
2010 Public Financing Authority	Variable	-	15,000,000	-	15,000,000	-	15,000,000
<b>Total certificates of participation</b>		<b>137,105,000</b>	<b>15,000,000</b>	<b>(3,625,000)</b>	<b>148,480,000</b>	<b>3,780,000</b>	<b>144,700,000</b>
<b>Total long-term debt</b>		<b>186,365,000</b>	<b>15,000,000</b>	<b>(4,680,000)</b>	<b>196,685,000</b>	<b>4,890,000</b>	<b>191,795,000</b>
Unamortized long-term bond premium		(711,991)	-	26,970	(685,021)	-	(685,021)
<b>Total long-term debt with unamortized bond premium</b>		<b>185,653,009</b>	<b>15,000,000</b>	<b>(4,653,030)</b>	<b>195,999,979</b>	<b>4,890,000</b>	<b>191,109,979</b>
Low and Moderate Income Housing Fund HELP loan		3,000,000	-	(1,500,000)	1,500,000	-	1,500,000
Compensated absences		8,793,073	6,527,355	(6,181,138)	9,139,290	2,284,823	6,854,467
<b>Total long-term debt with unamortized bond premium and compensated absences</b>		<b>\$197,446,082</b>	<b>\$21,527,355</b>	<b>(\$12,334,168)</b>	<b>\$206,639,269</b>	<b>\$7,174,823</b>	<b>\$199,464,446</b>

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

## Notes to Basic Financial Statements

The annual principal and interest requirements of long-term debt are as follows:

Year Ending June 30	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2012	\$ 1,110,000	\$ 2,184,003	\$ 3,780,000	\$ 4,902,651
2013	1,165,000	2,137,768	3,960,000	4,776,032
2014	1,225,000	2,094,794	4,135,000	4,653,341
2015	1,290,000	2,054,694	4,765,000	4,512,117
2016	1,340,000	2,010,164	4,960,000	4,373,507
2017-2021	7,550,000	9,198,733	27,055,000	19,328,201
2022-2026	9,220,000	7,360,606	32,600,000	14,497,355
2027-2031	11,505,000	4,882,079	30,820,000	9,357,942
2032-2036	10,930,000	1,898,704	21,335,000	5,059,382
2037-2040	2,870,000	226,013	15,070,000	831,102
<b>Total</b>	<b>\$ 48,205,000</b>	<b>\$ 34,047,558</b>	<b>\$ 148,480,000</b>	<b>\$ 72,291,630</b>

The following assets have been pledged as collateral towards the related long-term debt issues:

<u>COP</u>	<u>Secured Assets</u>
1998 Public Financing Authority	Family Resource Center
1998 Public Financing Authority	Police Facility
2001 Public Financing Authority	Detention and property evidence storage facility Fire station #11 site (1.0 acre) vacant land State Street - 6.09 acres vacant land Capitol Avenue, Buildings A & B
2001B Public Financing Authority	Capitol Avenue, Buildings A & B Fire equipment
2008 Public Financing Authority	Maintenance Center
2008 Public Financing Authority	Fire stations #8 and #9 Main library
2010 Public Financing Authority	Fire stations #2 and #6 Fire tactical training center

### ***A. Special Assessment Debt (No City Commitment)***

Special assessment bonds have been issued under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City is not liable for repayment and acts only as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from assessments, specific reserves, and the proceeds from property foreclosures. As of June 30, 2011, special assessment and special tax bonded indebtedness (long-term and current portions) was approximately \$5,670,000, which was not recognized in the accompanying basic financial statements.

### ***B. Community Facilities District Special Tax Bonds (No City Commitment)***

Special tax bonds were issued under the Mello-Roos Community Facilities Act of 1982. The proceeds of the 2001 bonds were utilized to finance the acquisition of specified public capital



## Notes to Basic Financial Statements

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improvements for the development of the District, known as Pacific Commons. The District is a business park with commercial and industrial facilities. The property owners, with Catellus Development Corporation (now ProLogis) as the master developer and majority landowner, are obligated to pay the interest and principal on the 2001 bonds through an annual levy pursuant to the Rate and Method of Apportionment approved by the City Council and the qualified elector of the District. The 2001 bonds are not a general debt liability of the City and are solely payable from the annual facilities special tax levy and the reserve fund. As of June 30, 2011, the 2001 bond indebtedness was \$28,970,000.

On June 26, 2005, the City Council approved the issuance of \$38,000,000 of Community Facilities District 1, Special Tax, Series B (Pacific Commons) bonds. These bonds were issued on July 21, 2005. The net proceeds of the Series B bonds will be used to reimburse the developer for the costs of specified public improvements that have been or are to be built or otherwise conveyed to public agencies in conjunction with the development of Pacific Commons. As of June 30, 2011, the 2005 bond indebtedness was \$38,000,000.

### *C. Housing Enabled by Local Partnerships Loan*

The Redevelopment Agency had \$3 million in HELP (Housing Enabled by Local Partnerships) program loans payable to the California Housing Finance Agency in the prior year consisting of two loans for \$1.5 million each with 10-year terms bearing simple interest of 3% per annum. One loan was due and repaid on September 1, 2010. The second loan was received in November 2008 and is due in 2018. The Agency used the loan proceeds in turn to fund a loan to Allied Housing for the Main Street Village project. The terms of the loan to the developer are 55 years with 3% simple interest per annum commencing on May 17, 2010, the date of loan agreement.

### *D. Compensated Absences*

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is \$9,139,290. The City typically uses the General Fund to liquidate the majority of its compensated absences.

## 6. POLLUTION REMEDIATION OBLIGATION

On July 18, 2002, the Redevelopment Agency entered into a service agreement for the performance of environmental, geophysical, engineering and geotechnical consulting services associated with the due diligence and remediation of potentially contaminated properties located within the Agency's redevelopment project areas. The majority of this work has been on the former Union Pacific Railroad property in Niles, which has been controlled by the Redevelopment Agency since January 2000, and owned since 2005, and is required to secure approval from the California Department of Toxic Substances Control – the State agency overseeing the environmental cleanup of the Union Pacific Railroad property. The estimated cost for the cleanup of the Niles Town Plaza portion (Phase II) of the Union Pacific Railroad property has been estimated at \$2,000,000 as of June 30, 2010. This amount is a preliminary estimate and could increase or decrease as more information becomes available. During the current fiscal year, \$1,357,756 in remediation costs was



spent, leaving a remaining estimate of \$642,244. It is not clear whether the Agency will recover any of these costs.

The Agency has acquired several acres of property for a redevelopment project commonly referred to as the "Centerville Unified Site." Prior to the Agency's acquisition of the property, a drycleaners operated on a portion of the property. At some point or points during its operations, the drycleaners apparently discharged drycleaning solvents into the sewer lines which have been detected as soil gas in the vicinity of the former drycleaners location. Although it did not cause the contamination, the Agency is authorized to remediate the contamination because it constitutes a form of blight under California's Community Redevelopment Law. Environmental consultants working for the Agency have submitted reports documenting the extent of the contamination and are currently preparing a corrective action plan. The corrective action plan is to be reviewed by the Alameda County Water District, the agency overseeing the cleanup. The costs of remediation are unknown as of June 30, 2011 and estimates cannot be made until more information becomes available. No litigation has been filed or threatened, but claims associated with the contamination could be asserted.

The City currently leases property from the Alameda County Water District (ACWD) for the police firing range. ACWD plans to use the land for other purposes when the City lease expires. Under the terms of the lease agreement, the City is obligated to remove the lead from the ACWD property at the termination of the lease. The lead cleanup is a residual item which still must be addressed to fulfill the City's lease obligations and is estimated to cost \$425,000. During the current fiscal year, \$355 in remediation costs have been expended on this project leaving a remaining estimate of \$424,645. It is not clear at this point whether there will be any recoveries.

## 7. RISK MANAGEMENT

The City is exposed to various exposures related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City's risk management program, the City retains risk for up to \$500,000 for each workers' compensation claim, \$500,000 for each general liability claim, and \$25,000 for each property claim. The liability for general liability claims and workers' compensation claims in excess of \$500,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are based on a percentage of payroll costs for general liability and a three-year moving average cost of claims for workers' compensation. They are recorded in the funds as expenditures or expenses and revenues of the Risk Management Internal Service Fund.

The City retained an independent actuary in 2011 to perform an analysis of the City's potential liability for its retained risk portions of the general liability and workers' compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 4.5% discount rate to reflect future investment earnings. There were no reductions in insurance coverage from the prior year and there were no insurance settlements that exceeded coverage in each of the past years.

## Notes to Basic Financial Statements

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the past three fiscal years ended June 30, 2009, 2010 and 2011 are as follows:

	2009	2010	2011
Balance, beginning of year	\$ 10,358,000	\$ 11,998,000	\$ 13,588,000
Provision for claims losses	5,496,760	5,492,170	5,550,373
Claims payments	(3,856,760)	(3,902,170)	(5,432,373)
Balance, end of year	<u>\$ 11,998,000</u>	<u>\$ 13,588,000</u>	<u>\$ 13,706,000</u>
Due in one year	\$ 4,442,000	\$ 5,007,000	\$ 4,646,000
Due in more than one year	7,556,000	8,581,000	9,060,000
Total claim liabilities	<u>\$ 11,998,000</u>	<u>\$ 13,588,000</u>	<u>\$ 13,706,000</u>

### A. Participation in Public Entity Risk Pools

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of \$500,000 and up to \$40,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

Summary financial information for CJPRMA for the year ended June 30, 2010 (latest available date), is as follows:

Cash and investments	\$ 96,111,824
Premiums and fees receivable	821,050
Other assets	3,113,844
Total assets	<u>\$ 100,046,718</u>
Total reserves, unearned premiums and other liabilities	\$ 51,093,038
Net assets	48,953,680
Total liabilities and net assets	<u>\$ 100,046,718</u>
Net premiums earned	\$ 13,001,624
Loss provision and premiums paid	(13,620,407)
General and administrative expenses	(1,528,107)
Operating income (loss)	(2,146,890)
Net investment and other income	8,786,844
Net income	6,639,954
Refunds to members	(4,966,179)
Change in net assets	<u>\$ 1,673,775</u>

## Notes to Basic Financial Statements

The CJPRMA refunds excess contributions to members from time to time, based on the results of actuarial studies of each program year's claims experience. These refunds include cumulative earnings on program year contributions but may be reduced by amounts required to fund prior or subsequent year unfavorable claims experience.

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 3252 Constitution Drive, Livermore, CA 94551.

In July 1992, the City joined with other municipalities and special districts to form the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), a public entity risk pool. In June 2006, the City withdrew from LAWCX and joined the CSAC Excess Insurance Authority (CSAC). CSAC membership consists of 54 California counties and 196 organizations (cities, school districts, special districts and other JPAs). Workers' compensation claims in excess of \$500,000 are covered by CSAC through reinsurance up to a limit of \$250,000,000.

Summary financial information for CSAC for the year ended June 30, 2010 (latest available date), is as follows:

Total cash and cash equivalents	\$ 37,012,726
Total other current assets	278,459,795
Total noncurrent assets	231,292,296
Total assets	<u>\$ 546,764,817</u>
Total current liabilities	\$ 104,210,436
Total noncurrent liabilities	324,196,776
Net assets	118,357,605
Total liabilities and net assets	<u>\$ 546,764,817</u>
Total operating revenues	\$ 400,272,712
Total operating expenses	(443,438,510)
Total nonoperating revenue	15,730,030
Net income (loss)	<u>\$ (27,435,768)</u>

Complete financial statements for CSAC can be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

## Notes to Basic Financial Statements

### 8. INTERFUND TRANSACTIONS

#### A. Interfund Receivables and Payables

Interfund receivables and payables represent short term loans owed by Non-major Governmental Funds to the General Fund for purposes of covering short term negative cash positions. These interfund transactions are routine year-end adjustments. Interfund receivables and payables at June 30, 2011, were as follows:

	Due To: General Fund	Due From: Non-Major Governmental Funds
\$	2,236,463	\$ 2,236,463

#### B. Interfund Transfers

The General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities include capital projects, debt service, and certain cost center operations. There are also a variety of additional transfers between the General Fund and other funds to cover such items as overhead and vehicle replacement charges.

Interfund transfers for the year ended June 30, 2011, were as follows:

		Transfers In							Total
		General Fund	RDA Operations	Development Impact Fees	Development Cost Center	Recreation Services	Non-Major Funds	Internal Service Funds	
Transfers Out	General Fund	\$ -	\$ 30,062	\$ -	\$ 2,117,400	\$ 2,160,769	\$ 11,604,296	\$ 38,109	\$ 15,950,636
	RDA Operations	182,537	-	-	-	-	1,419	-	183,956
	Low and Mod. Housing	74,645	-	-	-	-	-	-	74,645
	RDA Debt Service	-	20,000,000	-	-	-	-	-	20,000,000
	RDA Capital Projects	-	-	1,980,000	-	-	-	-	1,980,000
	Development. Impact Fees	950,000	-	-	-	-	-	-	950,000
	Development Cost Center	1,897,641	-	-	-	-	122,827	-	2,020,468
	Recreation Services	791,560	-	-	-	-	264,590	-	1,056,150
	Non-Major Funds	3,868,875	-	-	-	-	1,184,673	-	5,053,548
	Internal Service Funds	804,292	-	-	-	-	9,654	-	813,946
	Total	\$ 8,569,550	\$ 20,030,062	\$ 1,980,000	\$ 2,117,400	\$ 2,160,769	\$ 13,187,459	\$ 38,109	\$ 48,083,349

## 9. RETIREMENT BENEFITS

### *A. California Public Employees' Retirement System*

Plan Description – The City's defined benefit pension plans, City of Fremont Miscellaneous Plan and City of Fremont Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through the California Public Employees' Retirement System (CalPERS). All regular City employees classified as full-time, as well as part-time regular employees and temporary City workers who work 1,000 or more hours per year, are required to participate in CalPERS. Benefits vest after five years of service.

City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% for miscellaneous employees and 3% for safety employees of their highest annual salary for each year of service. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance. The City of Fremont Miscellaneous Plan and City of Fremont Safety Plan are part of the Public Agency portion of CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Funding Policy – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 8% of their annual covered salary. Active plan members in the City of Fremont Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010/11 was 18.360% of covered payroll for miscellaneous employees and 29.958% of covered payroll for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

Annual Pension Cost – For fiscal year 2010/11, the City's annual pension cost was \$18,769,769, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2010/11 was determined as part of the June 30, 2008 actuarial valuation, which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and from 3.25% to 13.15% for safety members; (3) an inflation component of 3.0%, and (4) 3.25% annual cost-of-living adjustment for miscellaneous members and safety members. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period. CalPERS' unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payrolls on a closed basis.

## Notes to Basic Financial Statements

The amortization period at June 30, 2010, was 22 years for miscellaneous members for prior and current service unfunded liabilities, and 21 years for safety members.

Following is three-year trend information for both Safety and Miscellaneous plans:

<u>Annual Pension Cost (APC - Employer Contribution)</u>				
<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$10,830,434	\$8,950,988	100%	\$ -
6/30/10	10,956,243	7,960,445	100%	-
6/30/11	10,893,207	7,876,562	100%	-

### ***B. Funding Status as of the Most Recent Actuarial Date***

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. This schedule presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Safety Plan:

<u>Valuation Date</u>	<u>Actuarial</u>			<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Payroll</u>
	<u>Entry Age Accrued Liability</u>	<u>Value of Assets</u>	<u>Unfunded (Overfunded) Liability</u>			
6/30/08	\$396,575,949	\$331,880,875	\$64,695,074	83.7%	\$35,741,075	181.01%
6/30/09	437,389,177	337,341,484	100,047,693	77.1%	36,844,556	271.54%
6/30/10	452,614,959	350,899,110	101,715,849	77.5%	37,059,614	274.47%

#### Miscellaneous Plan:

<u>Valuation Date</u>	<u>Actuarial</u>			<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability as % of Payroll</u>
	<u>Entry Age Accrued Liability</u>	<u>Value of Assets</u>	<u>Unfunded (Overfunded) Liability</u>			
6/30/08	\$289,675,184	\$238,111,105	\$51,564,079	82.2%	\$45,425,424	113.51%
6/30/09	329,923,638	247,240,523	82,683,115	74.9%	46,226,193	178.87%
6/30/10	342,196,322	261,428,715	80,767,607	76.4%	43,639,029	185.08%

## 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description and Eligibility – In addition to providing the retirement benefits described above, the City provides post-retirement healthcare benefits, in accordance with bargaining unit agreements, to qualified retired employees. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. The number of employees currently eligible to receive the benefit has increased from 624 in the previous year to 653 in the current year. The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. The total annual required contribution for June 30, 2011, was \$6,071,000.

Funding Policy – The City funds its OPEB obligations on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	\$6,071,000
Interest on net OPEB obligation	330,000
Amortization of net OPEB	<u>(553,000)</u>
Annual OPEB cost (expense)	5,848,000
Contributions made	<u>(2,145,000)</u>
Increase in net OPEB obligation	3,703,000
NET OPEB obligation – beginning of year	<u>6,957,000</u>
NET OPEB obligation – end of year	<u><u>\$10,660,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010/11 and the two preceding years are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contributions</u> <u>Made</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2009	\$3,387,000	\$1,773,000	52.3%	\$3,387,000
2010	5,505,000	1,935,000	35.1%	6,957,000
2011	5,848,000	2,145,000	36.7%	10,660,000



## Notes to Basic Financial Statements

Funding Status and Funding Progress – the funding status of the plan for the past three fiscal years is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	\$0	\$44,893,000	\$44,893,000	0%	\$68,332,000	65.7%
6/30/2009	-	55,754,000	55,754,000	0%	77,147,000	72.3%
6/30/2010	-	67,049,000	67,049,000	0%	74,073,000	90.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities, and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.75% investment rate of return, compared to the City's own year to date investment yield of 1.84%. A 3.0% general rate of inflation was used, as well as 3.25% aggregate payroll increases. Healthcare cost trend rates were 9.1% and 9.8% for non-medicare HMO and PPO, respectively. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over a 30 year closed period. There is no assumed post retirement benefit increase.

## 11. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.



Over the last several years, the City has entered into various cooperation and financing agreements with other public agencies regarding the design and construction of the Mission Interchange and the associated Warren Avenue Grade Separation. During FY 2010/11, several additional agreements and amendments to prior agreements were executed as a result of the ongoing progress of the project. Among the new agreements was a cooperative funding agreement with the Santa Clara Valley Transportation Authority (VTA) for the relocation of a portion of Aqua Fria Creek where it conflicts with the project. Over the next year, the City expects to enter into a cooperative funding agreement with VTA for the construction of the full Warren Avenue Grade Separation, as well as the completion of the Mission Interchange.

The Agency has entered into agreements with various taxing entities whereby the Agency passes through a portion of its incremental tax received from the County for these taxing entities. These payments are shown as intergovernmental expenditures in the accompanying basic financial statements. As of June 30, 2011, the total pass-through obligation of \$14,109,883 had not yet been paid. This amount is included in due to other governmental agencies in the accompanying basic financial statements.

### ***A. Housing Loan Commitments***

The Agency has entered into loan commitments for the following affordable housing projects, which are funded through the Low and Moderate Income Housing Fund:

*Affirmed Housing – Maple Square Apartments* – To date, the Agency and the City have committed a total of \$13,002,961 to Maple Square Apartments, developed by Affirmed Housing Group/Fremont Family Housing Partners, L.P., in the Centerville Redevelopment Project Area. This loan commitment consists of \$12,706,961 of Agency affordable housing funds and \$296,000 of State Workforce Housing Reward Grant funds awarded to the City. The 132-unit affordable rental housing development for families opened in February 2007. As of June 30, 2011, \$13,002,961 had been disbursed, consisting of \$12,706,961 of Agency funds and \$296,000 of State grant funds. These loan funds were used for predevelopment, land acquisition, and development costs. As of June 30, 2011, the loan balance is \$12,552,961 which reflects a \$450,000 repayment in the current year.

*Eden Housing – Peralta Boulevard Senior Apartments* – As of June 30, 2011, the Agency and the City have committed \$12,720,621 to Peralta Boulevard Senior Apartments. This combined predevelopment, acquisition, and development loan consists of \$10,832,464 of Agency affordable housing funds, \$1,400,000 of City federal HOME funds, and \$488,157 of City CDBG funds. Eden Housing, the developer, is building a 98-unit senior housing rental development on a 2.98-acre site located in the Centerville Project Area. Eden acquired the site and the City Council approved the project during last fiscal year. The project is scheduled for completion in early 2012. As of June 30, 2011, the full commitment of \$12,720,621 has been disbursed.

*Allied Housing – Main Street Village* – Allied Housing completed, in November 2011, a 64-unit supportive housing rental development located on a 1.6-acre site located in the Irvington Project Area. As of June 30, 2011, the Agency and the City have committed \$6,644,533 to Allied Housing's Main Street Village. These development loan funds consist of \$2,384,542 of Agency affordable housing funds, \$3,000,000 of State HELP funds,

## Notes to Basic Financial Statements

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\$1,059,991 of City federal HOME funds, and a \$200,000 City federal CDBG grant to fund a tenant services center and community center. During the current year, Allied Housing made a repayment of \$4,105,285 which was added back as an additional loan commitment from Agency affordable housing funds. As of June 30, 2011, \$6,229,406 has been disbursed from the total commitment, leaving \$415,127 in remaining commitment from Agency affordable housing funds.

With respect to the entire loan commitments described above, the Agency is repaid based on the type of loan and whether the affordable housing units are for-sale or rental. If it is an apartment project, borrowers agree to pay the Agency an amount equal to excess cash, which is defined as the operating revenue in excess of the amount required for operation of the development, including current debt service, other mortgage loans, property management fees, taxes, insurance, and other operating costs. In the event that excess cash is not generated, all loan principal and interest payments are deferred. If it is a short-term construction loan, borrowers agree to pay the Agency when permanent financing is in place. Loans issued for homeownership are generally repaid with interest at the time of sale or within a specified period or are issued as equity sharing loans. The Agency has not recorded receivables or accrued interest related to these agreements because the amount of the receivables and accrued interest is not currently available.

The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency.

### 12. RELATED PARTY TRANSACTIONS

In October 2005, the City made a housing assistance loan to the Fire Chief to acquire real property in compliance with the executive housing assistance loan agreement in an amount not to exceed \$600,000, repayable in 30 years. The interest rate on the loan is variable and adjusts annually on the anniversary of the loan to reflect the average yield received by the City on its investment portfolio during the most recent four quarters. As of June 30, 2011, the outstanding balance of this loan receivable was \$571,725.

### 13. PRIOR PERIOD ADJUSTMENT

The Government-wide Statement of Net Assets, and Statement of Activities and Changes in Net Assets, includes a restatement of net assets for the year ended June 30, 2011. The adjustment, in the amount of \$11,278,053, is an allowance for uncollectible amounts of prior years' accumulated accrued interest on affordable housing loans. Because of their nature, affordable housing loans are fully reserved because the amount and timing of any repayment is not known and, by their terms, the loans may be partially or fully forgiven if certain criteria are met. A similar allowance for uncollectible interest accruals should also have been recorded. The City will recognize interest revenue when paid by the borrowers, rather than when accrued. The adjustments to the FY 2009/10 Government-wide statements are as follows:

## Notes to Basic Financial Statements

	As Reported	Amount of Prior Period Adjustment	As Restated
<b>Statement of Net Assets:</b>			
Accrued Interest	\$ 12,676,582	(\$11,278,053)	\$ 1,398,529
Net assets, restricted for community development	151,797,118	( 11,278,053)	140,519,065
<b>Statement of Activities and Changes in Net Assets:</b>			
Investment earnings	7,637,105	( 1,278,331)	6,358,774
Prior period adjustment to beginning net assets	--	( 9,999,722)	( 9,999,722)

### 14. SUBSEQUENT EVENTS

On June 29, 2011, the Governor of the State of California signed Assembly Bills (AB)x1 26 and 27 as part of the State's budget package. ABx1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. ABx1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011/12 and annual payments each fiscal year thereafter. ABx1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012/13 have yet to be determined by the State Legislature.

ABx1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by ABx1 26.

In the event that ABx1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible, resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning

## Notes to Basic Financial Statements

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the California Supreme Court to overturn ABx1 26 and ABx1 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of ABx1 27 and most of ABx1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of ABx1 26 and ABx1 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (“EOPS”) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Because the stay provided by ABx1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees, such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABx1 26.

On July 19, 2011, the City Council adopted an ordinance indicating its intent to comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Redevelopment Agency, in the event ABx1 26 and/or ABx1 27 are upheld as constitutional. The initial payment by the City is estimated to be \$9.1 million, with one-half due on January 15, 2012, and the other half due on May 15, 2012. Thereafter, an estimated \$2.1 million will be due annually. The amounts due annually after fiscal year 2012/13 may change by possible State legislative action or if the Agency incurs new debt. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. ABx1 27 allows a one-year reprieve on the Agency’s obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABx1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the State. In the event that ABx1 26 and/or ABx1 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the State Legislature’s stated intent to eliminate California redevelopment agencies and to reduce their funding.

# Required Supplementary Information

## 1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City's financial resources, as well as establishing that highest priority objectives are accomplished.

The annual budget serves from July 1 to June 30, and is a vehicle that communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. The City Council adopts an annual budget by resolution prior to August 1 of each fiscal year. The annual budget indicates appropriations by fund or, in some instances, by program. The City Council may adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund.

The City Manager may also increase appropriations for operating expenditures for the Development Cost Center, Recreation Services Cost Center, and Human Services Department when quarterly fee or grant estimates in those funds exceed the amounts estimated at the time of budget adoption because of increased fee or grant activity. Any revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

- b. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that unrealized investment gains/losses are not recognized for budgetary purposes. Annual appropriated budgets are adopted for the General and certain special revenue funds (Redevelopment Operations, Development Cost Center and Recreation Services). Project-length budgets are adopted for all capital projects funds, and either project-length budgets or non-appropriated financial plans are adopted for certain other special revenue funds (all special revenue funds except those specifically mentioned in the preceding sentence).
- c. Supplemental budgetary changes were adopted by the City Council during the year; however, these supplemental budgetary changes were not material in relation to the budget as originally adopted.

### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

## Required Supplementary Information

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Following are the budget comparison schedules for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

### Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 23,761,000	\$ 23,761,000	\$ 28,900,662	\$ 5,139,662
Resources (inflows):				
Property tax	61,233,000	61,233,000	61,738,762	505,762
Sales tax	27,772,000	27,772,000	30,089,204	2,317,204
Vehicle license fees	408,000	408,000	991,459	583,459
Intergovernmental	241,000	241,000	142,362	(98,638)
Business tax	7,410,000	7,410,000	6,820,327	(589,673)
Other taxes	3,822,000	3,822,000	4,507,162	685,162
Franchises	7,825,000	7,825,000	8,215,061	390,061
Charges for services	8,826,000	8,826,000	8,266,409	(559,591)
Investment earnings	1,600,000	1,600,000	699,534	(900,466)
Other	1,308,000	1,308,000	1,117,956	(190,044)
Operating transfers in	6,334,000	6,334,000	8,569,550	2,235,550
Total resources	126,779,000	126,779,000	131,157,786	4,378,786
Charges to appropriations (outflows):				
General government	12,118,519	11,645,603	11,626,724	18,879
Police services	53,428,886	53,367,009	52,488,719	878,290
Fire services	31,720,567	31,722,065	31,415,705	306,360
Capital assets maintenance and operations	19,894,283	19,750,191	18,294,596	1,455,595
Community development and environmental services	733,567	738,740	655,745	82,995
Capital outlay	-	382,790	382,790	-
Debt service:				
Interest and fiscal charges	425,000	425,000	1,181,929	(756,929)
Operating transfers out	19,111,221	19,400,645	15,950,636	3,450,009
Total charges to appropriations	137,432,043	137,432,043	131,996,844	5,435,199
Resources over (under) charges to appropriations	(10,653,043)	(10,653,043)	(839,058)	9,813,985
Fund Balance - Ending	\$ 13,107,957	\$ 13,107,957	\$ 28,061,604	\$ 14,953,647



## Required Supplementary Information

### Budgetary Comparison Schedule, Redevelopment Operations

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 384,257	\$ 384,257	\$ 109,468	\$ (274,789)
Resources (inflows):				
Investment earnings	-	-	34,631	34,631
Other	-	-	119,769	119,769
Operating transfers in	20,000,000	20,030,062	20,030,062	-
Total resources	20,000,000	20,030,062	20,184,462	154,400
Charges to appropriations (outflows):				
Intergovernmental	15,802,000	15,802,000	11,880,041	3,921,959
Community development	1,626,136	1,656,198	1,485,076	171,122
Operating transfers out	182,935	182,935	183,956	(1,021)
Total charges to appropriations	17,611,071	17,641,133	13,549,073	4,092,060
Resources over (under) charges to appropriations	2,388,929	2,388,929	6,635,389	4,246,460
Fund Balance - Ending	\$ 2,773,186	\$ 2,773,186	\$ 6,744,857	\$ 3,971,671

### Budgetary Comparison Schedule, Development Cost Center

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 2,727,000	\$ 2,727,000	\$ 3,694,264	\$ 967,264
Resources (inflows):				
Charges for services	8,923,371	8,923,371	7,748,389	(1,174,982)
Investment earnings	127,000	127,000	113,268	(13,732)
Operating transfers in	1,980,600	2,117,400	2,117,400	-
Total resources	11,030,971	11,167,771	9,979,057	(1,188,714)
Charges to appropriations (outflows):				
Community development and environmental services	9,263,423	9,400,223	8,122,209	1,278,014
Operating transfers out	2,191,748	2,190,748	2,020,468	170,280
Total charges to appropriations	11,455,171	11,590,971	10,142,677	1,448,294
Resources over (under) charges to appropriations	(424,200)	(423,200)	(163,620)	259,580
Fund Balance - Ending	\$ 2,302,800	\$ 2,303,800	\$ 3,530,644	\$ 1,226,844

## Required Supplementary Information

### Budgetary Comparison Schedule, Recreation Services

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Fund Balance - Beginning	\$ 3,982,000	\$ 3,982,000	\$ 3,986,843	\$ 4,843
Resources (inflows):				
Charges for services	5,898,954	5,898,954	5,532,399	(366,555)
Investment earnings	100,000	100,000	72,733	(27,267)
Other	105,100	105,100	78,624	(26,476)
Operating transfers in	2,138,000	2,160,769	2,160,769	-
Total resources	8,242,054	8,264,823	7,844,525	(420,298)
Charges to appropriations (outflows):				
Recreation and leisure services	7,127,133	7,149,902	6,509,957	639,945
Operating transfers out	792,102	1,017,102	1,056,149	(39,047)
Total charges to appropriations	7,919,235	8,167,004	7,566,106	600,898
Resources over (under) charges to appropriations	322,819	97,819	278,419	180,600
Fund Balance - Ending	\$ 4,304,819	\$ 4,079,819	\$ 4,265,262	\$ 185,443

## 2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

In accordance with GASB Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; parks and recreation land and improvements; the storm water collection system; and site amenities associated with buildings such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is further divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system with the following characteristics: (1) maintain an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amount needed to maintain and preserve the assets at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.



## Required Supplementary Information

City-owned streets are defined as all physical features associated with the operation of motorized vehicles that exist within the limits of the City rights of way. The City streets are constructed primarily of asphalt pavement. Further, the streets are classified based on land use, access and traffic utilization into the following three classifications: (1) arterial/major, (2) collector and (3) residential/local.

In 2009, the City commissioned a study to update the physical condition assessment of all City arterial, collector and residential streets. The prior assessment study of the City arterial and collector streets was completed in 2006. Before that, the entire City road network, including residential streets, was inspected and rated in 2004.

The condition assessments will continue to be performed every two to three years for arterials and collectors and every five years for residential streets. The 2011 inspection for the arterials and collectors is in progress. This inspection was originally due for completion by August 31, 2011; however, the Metropolitan Transportation Commission (MTC) granted additional time for completion and the scheduled completion date by the City consultant is January 2012. Every arterial and collector street is inspected and the physical condition is recorded based on a system of 17 defined pavement distress conditions and the Pavement Condition Index (PCI), a nationally recognized index, is calculated based on the inspection data. The PCI is expressed as a rating from 0 to 100, where 0 is the least acceptable condition and 100 is the rating for a street in excellent condition or a new street. The following conditions are defined with the corresponding PCI rating ranges:

Condition	PCI Rating
Excellent	86-100
Good	70-85
Fair	50-69
Poor	25-49
Very Poor	<25

Through June 30, 2011, the City's policy was to achieve an average PCI rating of 50 for all streets. This rating means more pavement distresses ranging from surface types such as cracking and raveling to the more serious load related distresses, such as alligator cracking and rutting will become noticeable to drivers traveling at the posted speeds. As of June 30, 2011, the City's overall street system was rated at an estimated PCI index of 61, with the detail condition as follows:

Condition	PCI Rating	% of Streets Sections		
		June 30, 2009	June 30, 2010	June 30, 2011
Good to Excellent	70-100	47%	41%	37%
Fair	50-69	28%	24%	22%
Poor to Very Poor	0-49	25%	35%	41%

The City's streets are constantly deteriorating due to the following four factors: (1) traffic using the streets, especially trucks and buses; (2) the sun's ultraviolet and infrared rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests'

## Required Supplementary Information

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trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and curb and gutter repair.

In total, the City expended \$5,847,754 on street maintenance for the fiscal year ended June 30, 2011. The annual expenditures delay deterioration; however, the overall rating of the City's streets was not improved through these maintenance expenditures. A table of the previously estimated annual amounts required to maintain and preserve City streets at the then current PCI level compared to the actual expenditures for street maintenance and actual PCI levels for the last five years is as follows:

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditure</u>	<u>Overall City PCI Rating</u>
2006/07	\$ 10,800,000	\$ 5,199,654	68
2007/08	12,000,000	5,839,171	67
2008/09	12,000,000	5,916,134	64
2009/10	15,500,000	11,651,400	62
2010/11	15,500,000	5,847,754	61

In 2009, the City estimated that \$15,500,000 would be required to be expended annually to maintain the City's streets at the 2008/09 average PCI rating of 64. This estimate is being used for 2010/11 and will be reviewed when the City consultant report becomes available in January 2012. As can be seen in the above table, the actual expenditure is less than the estimated required maintenance budget and the overall City PCI has dropped by 7 points over the past four years.

As noted above, the current inspection of City residential streets was completed in June 2009. The previous inspection of City residential streets took place in 2004. Between then and now, the deterioration of residential streets has accelerated due to the further aging and failure of older maintenance treatments such as slurry seals, revealing the defects in structure of the underlying streets. Also, preventative maintenance of residential streets continues to be deferred on a year over year basis due to the higher priority given to arterials and collectors, which carry higher volumes of traffic at higher speeds and present a greater liability to the City. As residential streets comprise the majority of the streets in Fremont, being nearly 45% of the total street network, the overall PCI is adversely affected by this deferred maintenance. As of June 30, 2011, approximately 63% of the City's streets were rated below the average standard of 70, a 4% increase from 2009/10 when the percentage of streets rated below 70 was 59%. The reason for the increase is as stated above, being the increased deterioration of residential streets due to deferred maintenance.

The City has on-going street rehabilitation and maintenance programs funded in the Capital Improvement Program. Streets selected for inclusion in rehabilitation and maintenance projects are identified through the Pavement Management System (PMS). Because of the funding deficit, the PMS puts a priority on maintaining the streets that are in good condition. As street maintenance is deferred, more expensive treatments become necessary; therefore, it is more cost effective to maintain streets that are in good condition.

Due to higher traffic volumes and higher vehicle speeds, City arterial (highest traffic level) and collector (intermediate traffic level) streets receive priority over minor residential streets and

## Required Supplementary Information

cul-de-sacs. The heavier traffic on arterials and collectors causes pavement damage at higher rates. Also, due to the higher speeds on the arterial and collector roadways, maintaining the pavements to assure safe operating conditions is essential. The City will continue to rehabilitate and maintain the arterial and collector and all City streets as funds permit.

### 3. SCHEDULE OF FUNDING PROGRESS

A schedule of funding progress for the year ended June 30, 2010, including the past three actuarial valuations, is presented below:

#### **CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)** **SCHEDULE OF FUNDING PROGRESS** **Miscellaneous Employees**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ 233,819,225	\$ 289,675,184	\$ 55,855,959	80.7%	\$ 45,425,424	122.96%
6/30/2009	247,240,523	329,923,638	82,683,115	74.9%	46,226,193	178.87%
6/30/2010	261,428,715	342,196,322	80,767,607	76.4%	43,639,029	185.08%

#### **CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)** **SCHEDULE OF FUNDING PROGRESS** **Safety Employees**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ 324,285,049	\$ 396,575,949	\$ 72,290,900	81.8%	\$ 35,741,075	202.26%
6/30/2009	337,341,484	437,389,177	100,047,693	77.1%	36,844,556	271.54%
6/30/2010	350,899,110	452,614,959	101,715,849	77.5%	37,059,614	274.47%

#### **OTHER POST EMPLOYMENT BENEFITS (OPEB)** **SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ -	\$ 44,893,000	\$ 44,893,000	0.0%	\$ 68,332,000	65.7%
6/30/2009	-	55,754,000	55,754,000	0.0%	77,147,000	72.3%
6/30/2010	-	67,049,000	67,049,000	0.0%	74,073,000	90.5%

## Required Supplementary Information

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# Supplementary Section

## Non-Major Governmental Funds

## Description – Special Revenue Funds

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### SPECIAL REVENUE FUNDS

**Special Revenue Funds** are used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government. The individual special revenue funds are as follows:

***Human Services*** – This fund accounts for City revenues from federal, state, and local sources designated for social service programs and services for families, the elderly, and youth. Services and programs include self-sufficiency, counseling, and housing assistance.

***HOME Grant*** – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance, and construct affordable housing and provide tenant-based rental assistance.

***Multi-family Housing*** – This fund accounts for fees received for monitoring the Residential Mortgage Loan Program.

***Integrated Waste Management*** – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction programs.

***Urban Runoff*** – The Clean Water Fee special assessment funds the Urban Runoff Clean Water Program. This program is based on the Stormwater Management Plan of the Alameda Countywide Clean Water Program. The plan is required for and a part of the National Pollutant Discharge Elimination System permit. Included in the plan are tasks for municipalities to carry out, including public information, municipal maintenance activities, new development requirements, illicit discharge elimination, industrial discharge identification and control, monitoring and special studies.

***Traffic Safety OTS*** – This fund accounts for monies received from the State, to be used to reduce alcohol involved fatalities and injuries, and raise general public awareness regarding the problems associated with drinking and driving.

***Abandoned Vehicle*** – This fund accounts for monies received by the City under California Vehicle Code Sections 9250.7 and 22710 and used for the abatement, removal, and disposal as public nuisances of any abandoned, wrecked, dismantled, or inoperative vehicles from private or public property.

***Narcotics Asset Seizure*** – This fund accounts for assets confiscated by the City and by the Southern Alameda County Narcotics Enforcement Team (SACNET), which consists of police officers from the cities of Fremont, Newark and Union City. These assets may only be used for future narcotics investigations.

***COPS AB3229*** – This fund accounts for State funds distributed by the County for front-line law enforcement services, including anti-gang and community crime prevention programs.

## Description – Special Revenue Funds

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***Justice Assistance Grant*** – This fund accounts for federal pass-through money and allows states, tribes and local government to support a broad range of activities to prevent and control crime based on local needs and conditions, such as initiatives technical assistance, training personnel, and equipment supplies.

***Law Enforcement Grant*** – This fund accounts for federal monies to be spent for crime reduction, to improve public safety, and for other programs, such as substance abuse prevention and treatment programs.

***Inclusionary Housing In Lieu*** – This fund accounts for payments received from developers. The Inclusionary Housing Program requires a minimum amount of affordable housing to be created in conjunction with market rate residential development.

***Metropolitan Medical Response System (MMRS)*** – This fund accounts for federal grants to fund the purchase of anti-terrorism equipment, medications, and training and exercise for terrorism responses.

***American Recovery and Reinvestment Act of 2009 (ARRA)*** – This fund accounts for federal stimulus funding for various projects and programs, such as the street overlay project, pavement rehabilitation projects, Homeless Prevention and Rapid Rehousing program, renovations at the Family Resource Center, including reconstruction of the parking lot, and various energy efficiency and conservation projects.

***Miscellaneous Federal Grants*** – This fund accounts for federal monies received from various individual federal grants that are subject to the Single Audit.

***Miscellaneous State Support*** – This fund accounts for one-time miscellaneous funds received from State agencies.

***Traffic Congestion AB2928*** – This fund accounts for monies provided by State legislation to be used for street improvements, and/or projects specified in the Assembly Bill. The bill also requires a Maintenance of Effort (MOE) from the General Fund over a 3-year period.

***State Gas Tax*** – This fund accounts for monies apportioned to the City from State-collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Funds are apportioned by the State on the basis of population.

***Proposition 1B Local Streets and Roads*** – This fund accounts for bond monies provided by State legislation to cities for maintenance and improvement of local transportation facilities.

***County Support for City Streets*** – This fund receives and expends the money allocated from Alameda County as the City's share of the State gasoline taxes allocated for County roads.

***Maintenance District*** – This fund accounts for lighting and landscape maintenance activities in new subdivisions within the City. These activities are funded by special assessments on property within the benefited area.

## Description – Debt Service Funds, Capital Project Funds

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### DEBT SERVICE FUNDS

**Debt Service Funds** are used to record the accumulation of resources for, and the payment of, principal, interest and fiscal charges on general long-term debt. The individual debt service funds are as follows:

***Fire General Obligation Bonds*** – Voters of the City of Fremont approved Measure R in the November 2002 election, which authorizes the City to issue \$51 million in general obligation bonds to provide funding to replace three fire stations, build a public safety training center, and make remodeling and seismic improvements to seven existing fire stations. To date, \$51 million of these bonds have been issued: (1) Series A for \$10 million was issued on July 17, 2003, (2) Series B for \$25 million was issued on April 14, 2005, (3) and Series C for \$15 million was issued on January 28, 2009.

***Financing Authority*** – This fund accounts for the payment of principle and interest on certificates of participation. The proceeds of the debt were used to finance construction of capital facilities.

### CAPITAL PROJECT FUNDS

**Capital Project Funds** are used to account for the acquisition or construction of major capital facilities and improvements. The specific capital project funds are listed below:

***Transportation Development Act*** – This fund accounts for funds received under the Transportation Development Act (Article 3) to be used for street construction projects.

***Miscellaneous State Grants Capital*** – This fund accounts for one-time miscellaneous funds received from State agencies.

***Interchange Construction*** – This fund accounts for construction of Interstate 880 interchange at Fremont Boulevard, Mission Boulevard, Auto Mall Parkway and Dixon Landing Road.

***Vehicle Replacement*** – This fund accounts for vehicle acquisitions.

***Capital Improvement*** – By Council resolution, this fund can be used only to finance capital improvements for the City, including the acquisition, construction, and initial equipping of parks, recreation areas, public safety facilities, or other public works projects. Amounts in this fund are received as transfers from the General Fund, as interest earned on invested cash balances, as proceeds from the sale of certain parcels of land, or as proceeds of debt.

***Capital Improvement Outside Sources*** – This fund accounts for contributions received from other outside sources that are intended to help fund specific capital projects.

***Measure B Streets, Bikes and Pedestrian*** – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for that portion of these monies used to fund transportation-related capital projects.



## Description – Capital Project Funds

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***Intermodal Surface Transportation Efficiency Act (ISTEA)*** – ISTEA was created in 1991 to provide federal funding for transportation projects. It replaces the Federal Aid Urban Program. Among ISTEA's many programs, three provide capital improvement funds for local governments. These programs are known as the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, and the Transportation Enhancement Activity Program. Funds are applied for on a project-by-project basis.

***Traffic System Management*** – This fund receives monies from the Bay Area Quality Management District under AB434. The fund's expenditures relate to the implementation of the City's trip reduction ordinance – a State-mandated activity.

***Fire General Obligation Bonds*** – This fund accounts for debt proceeds used for the construction, remodeling, or improvements of fire stations.

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Special Revenue Funds			
	Human Services	HOME Grant	Multi-family Housing	Integrated Waste Management
<b>ASSETS</b>				
Cash and investments held by City	\$ 6,103,743	\$ -	\$ 55,254	\$ 2,675,675
Restricted cash and investments held by fiscal agent or City	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	2,436,478	79,443	-	460,888
Housing rehabilitation loans, net	1,481,712	-	-	-
Accrued interest	-	-	-	-
Other	34,977	-	-	929,423
Due from other funds	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 10,056,910</b>	<b>\$ 79,443</b>	<b>\$ 55,254</b>	<b>\$ 4,065,986</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 618,143	\$ 7,185	\$ 17,000	\$ 122,692
Salaries and wages payable	237,967	-	3,236	37,496
Due to other funds	1,055,136	68,573	-	-
Other liabilities	-	-	-	-
Deferred revenue	1,476,691	-	134	58,098
<b>Total liabilities</b>	<b>3,387,937</b>	<b>75,758</b>	<b>20,370</b>	<b>218,286</b>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	5,639,636	3,685	34,884	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	-	-	3,847,700
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	1,029,337	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>6,668,973</b>	<b>3,685</b>	<b>34,884</b>	<b>3,847,700</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,056,910</b>	<b>\$ 79,443</b>	<b>\$ 55,254</b>	<b>\$ 4,065,986</b>

Special Revenue Funds						
Urban Runoff	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
1,886,466	\$ -	\$ -	\$ 564,891	\$ 3,068	\$ 36,366	\$ -
-	-	-	33,360	-	-	-
-	-	-	-	-	-	-
8,134	2,576	40,000	-	131,585	10,621	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,894,600</u>	<u>\$ 2,576</u>	<u>\$ 40,000</u>	<u>\$ 598,251</u>	<u>\$ 134,653</u>	<u>\$ 46,987</u>	<u>\$ -</u>
\$ 68,954	\$ -	\$ -	\$ 60,246	\$ 390	\$ 1,763	\$ -
19,278	-	-	86	-	-	-
-	2,576	40,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>88,232</u>	<u>2,576</u>	<u>40,000</u>	<u>60,332</u>	<u>390</u>	<u>1,763</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	537,919	134,263	45,224	-
-	-	-	-	-	-	-
1,806,368	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,806,368</u>	<u>-</u>	<u>-</u>	<u>537,919</u>	<u>134,263</u>	<u>45,224</u>	<u>-</u>
<u>\$ 1,894,600</u>	<u>\$ 2,576</u>	<u>\$ 40,000</u>	<u>\$ 598,251</u>	<u>\$ 134,653</u>	<u>\$ 46,987</u>	<u>\$ -</u>

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Special Revenue Funds			
	Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants
<b>ASSETS</b>				
Cash and investments held by City	\$ 1,791,377	\$ -	\$ -	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	-	433,496	532,032	329,160
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 1,791,377</b>	<b>\$ 433,496</b>	<b>\$ 532,032</b>	<b>\$ 329,160</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 75	\$ 241,623	\$ 9,380
Salaries and wages payable	-	-	-	-
Due to other funds	-	150,518	213,168	39,186
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>150,593</b>	<b>454,791</b>	<b>48,566</b>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	1,791,377	-	-	-
Debt service	-	-	-	-
Public safety	-	282,903	-	-
Street improvements	-	-	-	-
Community development	-	-	-	-
Other purposes	-	-	77,241	280,594
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>1,791,377</b>	<b>282,903</b>	<b>77,241</b>	<b>280,594</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,791,377</b>	<b>\$ 433,496</b>	<b>\$ 532,032</b>	<b>\$ 329,160</b>

Special Revenue Funds							Total Non-major Special Revenue Funds
Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax	Prop 1B Local Streets & Roads	County Support for City Street	Maintenance District		
\$ 87,006	\$ -	\$ 11,035,697	\$ 404,257	\$ 19,665	\$ 304,739		\$ 24,968,204
-	-	-	-	-	-		33,360
-	-	-	-	-	-		-
55,474	-	633,188	-	-	-		5,153,075
-	-	-	-	-	-		1,481,712
-	-	-	-	-	-		-
-	-	56,331	-	-	825		1,021,556
-	-	-	-	-	-		-
-	-	-	-	-	-		-
<u>\$ 142,480</u>	<u>\$ -</u>	<u>\$ 11,725,216</u>	<u>\$ 404,257</u>	<u>\$ 19,665</u>	<u>\$ 305,564</u>		<u>\$ 32,657,907</u>
\$ 12,244	\$ -	\$ 249,604	\$ -	\$ -	\$ 8,861		\$ 1,418,160
-	-	-	-	-	-		298,063
-	-	-	-	-	-		1,569,157
-	-	-	-	-	-		-
-	-	-	-	-	-		1,534,923
<u>12,244</u>	<u>-</u>	<u>249,604</u>	<u>-</u>	<u>-</u>	<u>8,861</u>		<u>4,820,303</u>
-	-	-	-	-	-		-
-	-	-	-	-	-		7,469,582
-	-	-	-	-	-		-
-	-	-	-	-	-		1,000,309
-	-	11,475,612	404,257	19,665	-		11,899,534
-	-	-	-	-	296,703		5,950,771
130,236	-	-	-	-	-		488,071
-	-	-	-	-	-		-
-	-	-	-	-	-		-
-	-	-	-	-	-		1,029,337
-	-	-	-	-	-		-
-	-	-	-	-	-		-
-	-	-	-	-	-		-
<u>130,236</u>	<u>-</u>	<u>11,475,612</u>	<u>404,257</u>	<u>19,665</u>	<u>296,703</u>		<u>27,837,604</u>
<u>\$ 142,480</u>	<u>\$ -</u>	<u>\$ 11,725,216</u>	<u>\$ 404,257</u>	<u>\$ 19,665</u>	<u>\$ 305,564</u>		<u>\$ 32,657,907</u>

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Debt Service Funds		Total	
	Fire General Obligation Bonds	Fremont Financing Authority	Non-major Debt Service Funds	Transportation Development Act
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments held by fiscal agent	2,358,680	4,785,267	7,143,947	-
Receivables:				
Property tax	23,539	-	23,539	-
Due from other governmental agencies	-	-	-	164,109
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 2,382,219</b>	<b>\$ 4,785,267</b>	<b>\$ 7,167,486</b>	<b>\$ 164,109</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 7,781
Salaries and wages payable	-	-	-	-
Due to other funds	-	-	-	156,328
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,109</b>
<b>Fund Balances:</b>				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	-	-	-	-
Debt service	2,382,219	4,785,267	7,167,486	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>2,382,219</b>	<b>4,785,267</b>	<b>7,167,486</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,382,219</b>	<b>\$ 4,785,267</b>	<b>\$ 7,167,486</b>	<b>\$ 164,109</b>

Capital Project Funds							
Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement	Capital Improvement - Outside Sources	Measure B Grants, Streets, Bikes & Pedestrian	Intermodal Surface Transportation Efficiency Act	
\$ -	\$ 2,980,448	\$ 4,251,016	\$ 13,029,907	\$ 2,544,386	\$ 4,996,424	\$ -	
-	-	-	12,244,548	-	-	-	
-	-	-	-	-	-	-	
336,466	-	-	-	73,863	686,662	123,220	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	321,805	100,043	-	-	
-	-	-	-	-	-	-	
-	1,259,814	-	-	-	-	-	
<u>\$ 336,466</u>	<u>\$ 4,240,262</u>	<u>\$ 4,251,016</u>	<u>\$ 25,596,260</u>	<u>\$ 2,718,292</u>	<u>\$ 5,683,086</u>	<u>\$ 123,220</u>	
\$ 14,835	\$ -	\$ 10,524	\$ 529,857	\$ 184,988	\$ 75,009	\$ 2,601	
-	-	-	-	-	-	-	
321,631	-	-	-	-	-	120,619	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>336,466</u>	<u>-</u>	<u>10,524</u>	<u>529,857</u>	<u>184,988</u>	<u>75,009</u>	<u>123,220</u>	
-	1,259,814	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	11,618,551	-	-	-	
-	2,980,448	-	-	2,533,304	5,608,077	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	4,240,492	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	13,447,852	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>-</u>	<u>4,240,262</u>	<u>4,240,492</u>	<u>25,066,403</u>	<u>2,533,304</u>	<u>5,608,077</u>	<u>-</u>	
<u>\$ 336,466</u>	<u>\$ 4,240,262</u>	<u>\$ 4,251,016</u>	<u>\$ 25,596,260</u>	<u>\$ 2,718,292</u>	<u>\$ 5,683,086</u>	<u>\$ 123,220</u>	

(Continued)

**City of Fremont**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Capital Project Funds		Total
	Traffic System Management	Fire General Obligation Bonds	Non-major Capital Projects Funds
<b>ASSETS</b>			
Cash and investments held by City	\$ -	\$ 1,728,639	\$ 29,530,820
Restricted cash and investments			
held by fiscal agent	-	-	12,244,548
Receivables:			
Property tax	-	-	-
Due from other governmental agencies	68,728	-	1,453,048
Housing rehabilitation loans, net	-	-	-
Accrued interest	-	15	15
Other	-	-	421,848
Due from other funds	-	-	-
Other assets	-	-	1,259,814
<b>Total assets</b>	<b>\$ 68,728</b>	<b>\$ 1,728,654</b>	<b>\$ 44,910,093</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 363,765	\$ 1,189,360
Salaries and wages payable	-	-	-
Due to other funds	68,728	-	667,306
Other liabilities	-	-	-
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b>68,728</b>	<b>363,765</b>	<b>1,856,666</b>
<b>Fund Balances:</b>			
Nonspendable			
Prepaid assets	-	-	1,259,814
Restricted for:			
Social service programs	-	-	-
Debt service	-	-	-
Public safety	-	1,364,889	12,983,440
Street improvements	-	-	11,121,829
Community development	-	-	-
Other purposes	-	-	-
Committed for:			
Vehicle replacement	-	-	4,240,492
Social service programs	-	-	-
Other capital projects	-	-	13,447,852
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>1,364,889</b>	<b>43,053,427</b>
<b>Total liabilities and fund balances</b>	<b>\$ 68,728</b>	<b>\$ 1,728,654</b>	<b>\$ 44,910,093</b>



Total Non-major Governmental Funds	
2011	2010
\$ 54,499,024	\$ 67,971,446
19,421,855	7,445,302
23,539	23,017
6,606,123	7,156,098
1,481,712	1,465,151
15	1,457,760
1,443,404	2,271,981
-	-
1,259,814	3,764,808
<u>\$ 84,735,486</u>	<u>\$ 91,555,563</u>
\$ 2,607,520	\$ 4,357,262
298,063	113,466
2,236,463	3,874,118
-	8,890
1,534,923	3,117,031
<u>6,676,969</u>	<u>11,470,767</u>
1,259,814	3,764,808
7,469,582	6,430,993
7,167,486	7,100,039
13,983,749	7,043,810
23,021,363	25,516,365
5,950,771	6,447,002
488,071	774,382
4,240,492	4,578,109
1,029,337	184,559
13,447,852	18,244,729
-	-
-	-
<u>78,058,517</u>	<u>80,084,796</u>
<u>\$ 84,735,486</u>	<u>\$ 91,555,563</u>
(Concluded)	

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Special Revenue Funds			
	Human Services	HOME Grant	Multi-family Housing	Integrated Waste Management
<b>REVENUES:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	1,488,964	-	74,377	4,990,311
Intergovernmental	5,538,447	1,133,623	-	348,788
Investment earnings	58,286	-	850	-
Other	758,715	-	-	-
<b>Total revenues</b>	<b>7,844,412</b>	<b>1,133,623</b>	<b>75,227</b>	<b>5,339,099</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	8,077,520	-	-	-
Capital assets maintenance and operations	205,986	-	-	50,029
Community development and environmental services	1,618,207	1,128,435	59,000	5,235,414
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	248,655	-	-	-
<b>Total expenditures</b>	<b>10,150,368</b>	<b>1,128,435</b>	<b>59,000</b>	<b>5,285,443</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,305,956)</b>	<b>5,188</b>	<b>16,227</b>	<b>53,656</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	4,674,120	-	-	3,333
Transfers out	(1,375,144)	(5,188)	(7,080)	(237,983)
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,298,976</b>	<b>(5,188)</b>	<b>(7,080)</b>	<b>(234,650)</b>
<b>Net change in fund balances</b>	<b>993,020</b>	<b>-</b>	<b>9,147</b>	<b>(180,994)</b>
<b>FUND BALANCES:</b>				
Beginning of year	5,675,953	3,685	25,737	4,028,694
End of year	<u>\$ 6,668,973</u>	<u>\$ 3,685</u>	<u>\$ 34,884</u>	<u>\$ 3,847,700</u>

Special Revenue Funds						
Urban Runoff	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,351,049	-	-	-	-	-	-
-	12,724	159,607	308,394	220,270	72,253	7,526
-	-	-	9,745	169	-	-
-	-	-	-	-	-	-
1,351,049	12,724	159,607	318,139	220,439	72,253	7,526
-	12,724	159,607	542,956	91,621	31,725	7,526
-	-	-	-	-	-	-
-	-	-	-	-	-	-
276,230	-	-	-	-	-	-
1,285,493	-	-	-	-	-	-
-	-	-	-	-	-	-
14,903	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,576,626	12,724	159,607	542,956	91,621	31,725	7,526
(225,577)	-	-	(224,817)	128,818	40,528	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	50,000	-	-	-
(144,240)	-	-	-	-	-	-
-	-	-	-	-	-	-
(144,240)	-	-	50,000	-	-	-
(369,817)	-	-	(174,817)	128,818	40,528	-
2,176,185	-	-	712,736	5,445	4,696	-
\$ 1,806,368	\$ -	\$ -	\$ 537,919	\$ 134,263	\$ 45,224	\$ -

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Special Revenue Funds			
	Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants
<b>REVENUES:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	390,280	1,963,039	1,130,865
Investment earnings	-	54	-	-
Other	881,200	-	-	-
<b>Total revenues</b>	<b>881,200</b>	<b>390,334</b>	<b>1,963,039</b>	<b>1,130,865</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	50,417	27,527
Fire services	-	420,189	-	252,581
Human services	-	-	497,345	231,870
Capital assets maintenance and operations	-	-	459,616	413,629
Community development and environmental services	-	-	95,878	-
Intergovernmental	-	-	-	-
Capital outlay	-	42,897	900,200	87,944
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>463,086</b>	<b>2,003,456</b>	<b>1,013,551</b>
<b>EXPENDITURES</b>	<b>881,200</b>	<b>(72,752)</b>	<b>(40,417)</b>	<b>117,314</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(10,000)	(348,454)
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(348,454)</b>
<b>Net change in fund balances</b>	<b>881,200</b>	<b>(72,752)</b>	<b>(50,417)</b>	<b>(231,140)</b>
<b>FUND BALANCES:</b>				
Beginning of year	910,177	355,655	127,658	511,734
End of year	<u>\$ 1,791,377</u>	<u>\$ 282,903</u>	<u>\$ 77,241</u>	<u>\$ 280,594</u>

Special Revenue Funds							Total Non-major Special Revenue Funds
Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax	Prop 1B Local Streets & Roads	County Support for City Streets	Maintenance District		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	170,345	-	8,075,046
139,934	-	5,412,205	-	-	-	-	16,837,955
-	-	158,763	48,988	331	-	-	277,186
-	-	-	-	-	-	-	1,639,915
139,934	-	5,570,968	48,988	331	170,345	-	26,830,102
25,260	-	-	-	-	-	-	949,363
-	-	-	-	-	-	-	672,770
107,428	-	-	-	-	-	-	8,914,163
-	987,003	4,408,200	2,483,389	-	110,252	-	9,394,334
-	-	-	-	-	-	-	9,422,427
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,045,944
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	248,655
132,688	987,003	4,408,200	2,483,389	-	110,252	-	30,647,656
7,246	(987,003)	1,162,768	(2,434,401)	331	60,093	-	(3,817,554)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,727,453
(12,000)	-	-	-	-	(5,513)	-	(2,145,602)
-	-	-	-	-	-	-	-
(12,000)	-	-	-	-	(5,513)	-	2,581,851
(4,754)	(987,003)	1,162,768	(2,434,401)	331	54,580	-	(1,235,703)
134,990	987,003	10,312,844	2,838,658	19,334	242,123	-	29,073,307
\$ 130,236	\$ -	\$ 11,475,612	\$ 404,257	\$ 19,665	\$ 296,703	\$ -	\$ 27,837,604

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Debt Service Funds		Total	
	Fire General Obligation Bonds	Fremont Financing Authority	Non-major Debt Service Funds	Transportation Development Act
<b>REVENUES:</b>				
Property tax	\$ 3,262,259	\$ -	\$ 3,262,259	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	-	131,450
Investment earnings	16,948	157,611	174,559	-
Other	-	-	-	-
<b>Total revenues</b>	<b>3,279,207</b>	<b>157,611</b>	<b>3,436,818</b>	<b>131,450</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	131,450
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	1,055,000	3,625,000	4,680,000	-
Interest and fiscal charges	2,233,727	3,021,016	5,254,743	-
<b>Total expenditures</b>	<b>3,288,727</b>	<b>6,646,016</b>	<b>9,934,743</b>	<b>131,450</b>
<b>EXPENDITURES</b>	<b>(9,520)</b>	<b>(6,488,405)</b>	<b>(6,497,925)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	6,565,372	6,565,372	-
Transfers out	-	-	-	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>6,565,372</b>	<b>6,565,372</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(9,520)</b>	<b>76,967</b>	<b>67,447</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Beginning of year	2,391,739	4,708,300	7,100,039	-
End of year	\$ 2,382,219	\$ 4,785,267	\$ 7,167,486	\$ -

Capital Project Funds						
Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement	Capital Improvement Outside Sources	Measure B Grants, Streets, Bike & Pedestrian	Intermodal Surface Transportation Efficiency Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	737,345	403,319	-	-
328,003	-	-	-	73,000	2,465,121	1,281,642
-	41,549	63,053	204,702	-	71,664	-
-	-	309,412	17,905	243,890	-	-
328,003	41,549	372,465	959,952	720,209	2,536,785	1,281,642
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	22,927	-
328,003	67,979	-	3,332,959	299,732	2,007,022	1,281,642
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,504,994	1,529,716	3,972,373	1,121,516	16,064	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
328,003	2,572,973	1,529,716	7,305,332	1,421,248	2,046,013	1,281,642
-	(2,531,424)	(1,157,251)	(6,345,380)	(701,039)	490,772	-
-	-	-	15,000,000	-	-	-
-	-	-	-	-	-	-
-	-	1,119,634	775,000	-	-	-
-	-	(300,000)	(2,607,946)	-	-	-
-	-	-	-	-	-	-
-	-	819,634	13,167,054	-	-	-
-	(2,531,424)	(337,617)	6,821,674	(701,039)	490,772	-
-	6,771,686	4,578,109	18,244,729	3,234,343	5,117,305	-
\$ -	\$ 4,240,262	\$ 4,240,492	\$ 25,066,403	\$ 2,533,304	\$ 5,608,077	\$ -

(Continued)

# City of Fremont

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Capital Project Funds		Total
	Traffic System Management	Fire General Obligation Bonds	Non-major Capital Projects Funds
<b>REVENUES:</b>			
Property tax	\$ -	\$ -	\$ -
Charges for services	-	-	1,140,664
Intergovernmental	82,777	-	4,361,993
Investment earnings	-	56,653	437,621
Other	-	-	571,207
<b>Total revenues</b>	<b>82,777</b>	<b>56,653</b>	<b>6,511,485</b>
<b>EXPENDITURES:</b>			
Current:			
Police services	-	-	-
Fire services	-	-	-
Human services	-	-	22,927
Capital assets maintenance and operations	82,777	-	7,531,564
Community development and environmental services	-	-	-
Intergovernmental	-	-	-
Capital outlay	-	4,657,042	13,801,705
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>82,777</b>	<b>4,657,042</b>	<b>21,356,196</b>
<b>EXPENDITURES</b>	<b>-</b>	<b>(4,600,389)</b>	<b>(14,844,711)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Debt proceeds	-	-	15,000,000
Premium on debt issuance	-	-	-
Transfers in	-	-	1,894,634
Transfers out	-	-	(2,907,946)
Payment to escrow agent	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>13,986,688</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(4,600,389)</b>	<b>(858,023)</b>
<b>FUND BALANCES:</b>			
Beginning of year	-	5,965,278	43,911,450
End of year	\$ -	\$ 1,364,889	\$ 43,053,427



Total Non-major Governmental Funds	
2011	2010
\$ 3,262,259	\$ 3,596,522
9,215,710	7,843,762
21,199,948	30,541,330
889,366	1,577,043
2,211,122	2,299,004
36,778,405	45,857,661
949,363	1,498,435
672,770	623,457
8,937,090	5,514,566
16,925,898	21,301,803
9,422,427	8,682,097
-	1,802,150
14,847,649	26,845,322
4,680,000	4,145,000
5,503,398	4,679,051
61,938,595	75,091,881
(25,160,190)	(29,234,220)
15,000,000	-
-	-
13,187,459	8,544,438
(5,053,548)	(3,915,129)
-	-
23,133,911	4,629,309
(2,026,279)	(24,604,911)
80,084,796	104,689,707
\$ 78,058,517	\$ 80,084,796
(Concluded)	

## Non-Major Governmental Funds

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# Supplementary Section

## Proprietary Funds

**City of Fremont**  
**Combining Statement of Net Assets**  
**Proprietary Fund Type**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2011	2010
ASSETS				
Current assets:				
Cash and investments held by City	\$ 12,686,222	\$ 5,160,874	\$ 17,847,096	\$ 16,066,400
Other receivables	-	157,269	157,269	187,207
Total current assets	12,686,222	5,318,143	18,004,365	16,253,607
Noncurrent assets:				
Depreciable assets	-	8,985,907	8,985,907	8,921,774
Less accumulated depreciation	-	(6,501,301)	(6,501,301)	(6,276,201)
Land held for resale	2,821,430	-	2,821,430	2,821,430
Total noncurrent assets	2,821,430	2,484,606	5,306,036	5,467,003
Total assets	15,507,652	7,802,749	23,310,401	21,720,610
LIABILITIES				
Current liabilities:				
Accounts payable	129,138	92,998	222,136	121,532
Salaries and wages payable	40,729	93,808	134,537	112,597
Claims payable	4,646,000	-	4,646,000	5,007,000
Total current liabilities	4,815,867	186,806	5,002,673	5,241,129
Noncurrent liabilities:				
Claims payable	9,060,000	-	9,060,000	8,581,000
Total noncurrent liabilities	9,060,000	-	9,060,000	8,581,000
Total liabilities	13,875,867	186,806	14,062,673	13,822,129
NET ASSETS				
Invested in capital assets	-	2,484,606	2,484,606	2,645,573
Unrestricted	1,631,785	5,131,337	6,763,122	5,252,908
Total net assets	\$ 1,631,785	\$ 7,615,943	\$ 9,247,728	\$ 7,898,481

# City of Fremont

## Combining Statement of Revenues, Expenses and Changes in Net Assets

### Proprietary Fund Type

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Internal Service Funds			
	Risk Management	Information Technology	Totals	
			2011	2010
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 7,530,231	\$ 5,500,214	\$ 13,030,445	\$ 12,631,878
Other	42,036	25,067	67,103	66,971
<b>Total operating revenues</b>	<b>7,572,267</b>	<b>5,525,281</b>	<b>13,097,548</b>	<b>12,698,849</b>
<b>OPERATING EXPENSES:</b>				
Salaries and wages	462,298	2,513,123	2,975,421	3,116,648
Insurance premiums	840,153	-	840,153	809,851
Provision for claim losses	5,550,373	-	5,550,373	5,492,170
Claims administration	288,082	-	288,082	250,868
Materials and supplies	9,453	1,226,209	1,235,662	1,263,431
Depreciation	-	256,272	256,272	272,127
Other	-	60,876	60,876	58,668
<b>Total operating expenses</b>	<b>7,150,359</b>	<b>4,056,480</b>	<b>11,206,839</b>	<b>11,263,763</b>
<b>OPERATING INCOME</b>	<b>421,908</b>	<b>1,468,801</b>	<b>1,890,709</b>	<b>1,435,086</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	173,674	60,701	234,375	311,273
<b>Total nonoperating revenues (expenses)</b>	<b>173,674</b>	<b>60,701</b>	<b>234,375</b>	<b>311,273</b>
Transfers in	8,532	29,577	38,109	77,607
Transfers out	(2,040)	(811,906)	(813,946)	(784,078)
<b>INCREASE IN NET ASSETS</b>	<b>602,074</b>	<b>747,173</b>	<b>1,349,247</b>	<b>1,039,888</b>
<b>NET ASSETS:</b>				
Beginning of year	1,029,711	6,868,770	7,898,481	6,858,593
End of year	\$ 1,631,785	\$ 7,615,943	\$ 9,247,728	\$ 7,898,481

**City of Fremont**  
**Combining Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the year ended June 30, 2011**  
(With comparative totals for the year ended June 30, 2010)

	Internal Service Funds			
	Risk Management	Information Technology	Totals	
			2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from users	\$ 7,530,231	\$ 5,530,152	\$ 13,060,383	\$ 12,597,725
Other revenue	42,036	25,067	67,103	66,971
Less: Payments to suppliers	(1,100,466)	(1,162,827)	(2,263,293)	(2,797,873)
Payments for employees services	(459,976)	(2,493,505)	(2,953,481)	(3,132,246)
Payments for claims paid	(5,432,373)	-	(5,432,373)	(3,902,170)
Payments to others	-	(60,875)	(60,875)	(58,668)
<b>Net cash provided by operating activities</b>	<b>579,452</b>	<b>1,838,012</b>	<b>2,417,464</b>	<b>2,773,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on cash and investments	173,674	60,701	234,375	311,273
<b>Net cash provided by investing activities</b>	<b>173,674</b>	<b>60,701</b>	<b>234,375</b>	<b>311,273</b>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES:</b>				
Acquisition of capital assets	-	(95,306)	(95,306)	(164,657)
<b>Net cash (used) by capital activities</b>	<b>-</b>	<b>(95,306)</b>	<b>(95,306)</b>	<b>(164,657)</b>
<b>CASH FLOWS FROM NON-CAPITAL ACTIVITIES:</b>				
Transfers in	8,532	29,577	38,109	77,607
Transfers out	(2,040)	(811,906)	(813,946)	(784,078)
<b>Net cash provided (used) by noncapital activities</b>	<b>6,492</b>	<b>(782,329)</b>	<b>(775,837)</b>	<b>(706,471)</b>
<b>Net increase in cash and cash investments</b>	<b>759,618</b>	<b>1,021,078</b>	<b>1,780,696</b>	<b>2,213,884</b>
<b>CASH AND INVESTMENTS:</b>				
Beginning of year	11,926,604	4,139,796	16,066,400	13,852,516
End of year	<u>\$ 12,686,222</u>	<u>\$ 5,160,874</u>	<u>\$ 17,847,096</u>	<u>\$ 16,066,400</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 421,908	\$ 1,468,801	\$ 1,890,709	\$ 1,435,086
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	256,272	256,272	272,127
Changes in assets and liabilities:				
Accounts receivable	-	29,938	29,938	(34,153)
Accounts payable	37,222	63,383	100,605	(473,723)
Salaries and wages payable	2,322	19,618	21,940	(15,598)
Claims payable	118,000	-	118,000	1,590,000
<b>Net cash provided by operating activities</b>	<b>\$ 579,452</b>	<b>\$ 1,838,012</b>	<b>\$ 2,417,464</b>	<b>\$ 2,773,739</b>

# Supplementary Section

## Agency Funds

## Agency Funds

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**Agency Funds** are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Specific agency funds are as follows:

***Local Improvement Districts*** – Special assessment bonds were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. This fund also accounts for the City of Fremont Community Facilities District No. 1. \$30 million Series 2001 bonds and \$38 million Series 2005 bonds which were issued to finance the public improvements at Pacific Commons. The 2001 and 2005 Series bonds each have a series of maturities of up to 30 years and have a weighted average fixed interest rate of 6.11% (Series 2001) and 5.33% (Series 2005).

***Performance Bonds, Deposits and Confiscated Assets*** – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, held by the City in a fiduciary capacity.

***Tri-City Waste Facility Financing Authority*** – This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City to pay for the cities' share of the future landfill closing costs of the Durham Road Landfill. The outstanding bonds were paid in full during the third quarter of fiscal year 2009/10.

***Southern Alameda County GIS*** – This fund accounts for monies collected from participating agencies for the administration of the program. The City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The program operates under a JPA that was approved by the City of Fremont, City of Union City, City of Newark, Union Sanitary District and Alameda County Water District. The City of Union City was a member agency last fiscal year and elected to withdraw effective February 2011.



**City of Fremont**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Local Improvement Districts	Performance Bonds, Deposits and Confiscated Assets	Tri-City Waste Facility Financing Authority	Southern Alameda County GIS	Total	
					2011	2010
<b><u>All Agency Funds</u></b>						
<b>Assets:</b>						
Cash and investments held by City	\$ 10,196,085	\$ 1,199,049	\$ -	\$ -	\$ 11,395,134	\$ 14,403,877
Restricted cash and investments held by fiscal agent	7,190,260	-	-	-	7,190,260	8,357,971
Accounts receivable	-	9,819	-	13,571	23,390	636,922
Other receivables	4,460	-	-	-	4,460	59,982
<b>Total assets</b>	<b>\$ 17,390,805</b>	<b>\$ 1,208,868</b>	<b>\$ -</b>	<b>\$ 13,571</b>	<b>\$ 18,613,244</b>	<b>\$ 23,458,752</b>
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 4,516	\$ 504,419	\$ -	\$ 508,935	\$ 1,083,627
Cash overdraft	-	-	-	1,657	1,657	47,953
Deposits	17,390,805	1,204,352	(504,419)	11,914	18,102,652	22,327,172
<b>Total liabilities</b>	<b>\$ 17,390,805</b>	<b>\$ 1,208,868</b>	<b>\$ -</b>	<b>\$ 13,571</b>	<b>\$ 18,613,244</b>	<b>\$ 23,458,752</b>

**City of Fremont**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Local Improvement Districts</u></b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 13,645,422	\$ 11,693,666	\$ (15,143,003)	\$ 10,196,085
Restricted cash and investments held by fiscal agent	8,357,971	6,554,307	(7,722,018)	7,190,260
Other receivables	59,982	2,350,101	(2,405,623)	4,460
<b>Total assets</b>	<b>\$ 22,063,375</b>	<b>\$ 20,598,074</b>	<b>\$ (25,270,644)</b>	<b>\$ 17,390,805</b>
<b>Liabilities:</b>				
Deposits	\$ 22,063,375	\$ 24,919,462	\$ (29,592,032)	\$ 17,390,805
<b>Total liabilities</b>	<b>\$ 22,063,375</b>	<b>\$ 24,919,462</b>	<b>\$ (29,592,032)</b>	<b>\$ 17,390,805</b>
<b><u>Performance Bonds, Deposits and Confiscated Assets</u></b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 758,455	\$ 1,055,339	\$ (614,745)	\$ 1,199,049
Accounts receivable	574,656	734,102	(1,298,939)	9,819
<b>Total assets</b>	<b>\$ 1,333,111</b>	<b>\$ 1,789,441</b>	<b>\$ (1,913,684)</b>	<b>\$ 1,208,868</b>
<b>Liabilities:</b>				
Accounts payable	\$ 100,676	\$ 437,997	\$ (534,157)	\$ 4,516
Deposits	1,232,435	1,200,451	(1,228,534)	1,204,352
<b>Total liabilities</b>	<b>\$ 1,333,111</b>	<b>\$ 1,638,448</b>	<b>\$ (1,762,691)</b>	<b>\$ 1,208,868</b>
<b><u>Tri-City Waste Financing Authority</u></b>				
<b>Assets:</b>				
Cash and investments held by City	\$ -	\$ 440,326	\$ (440,326)	\$ -
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 440,326</b>	<b>\$ (440,326)</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 982,951	\$ -	\$ (478,532)	\$ 504,419
Deposits	(982,951)	478,532	-	(504,419)
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 478,532</b>	<b>\$ (478,532)</b>	<b>\$ -</b>

(Continued)

**City of Fremont**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds, Continued**  
**For the year ended June 30, 2011**

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Southern Alameda County GIS</u></b>				
<b>Assets:</b>				
Accounts receivable	\$ 62,266	\$ 13,571	\$ (62,266)	\$ 13,571
<b>Total assets</b>	<b>\$ 62,266</b>	<b>\$ 13,571</b>	<b>\$ (62,266)</b>	<b>\$ 13,571</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 2,030	\$ (2,030)	\$ -
Cash overdraft	47,953	-	(46,296)	1,657
Deposits	14,313	-	(2,399)	11,914
<b>Total liabilities</b>	<b>\$ 62,266</b>	<b>\$ 2,030</b>	<b>\$ (4,429)</b>	<b>\$ 13,571</b>
 <b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments held by City	\$ 14,403,877	\$ 13,189,331	\$ (16,198,074)	\$ 11,395,134
Restricted cash and investments held by fiscal agent	8,357,971	6,554,307	(7,722,018)	7,190,260
Accounts receivables	636,922	747,673	(1,361,205)	23,390
Other receivables	59,982	2,350,101	(2,405,623)	4,460
<b>Total assets</b>	<b>\$ 23,458,752</b>	<b>\$ 22,841,412</b>	<b>\$ (27,686,920)</b>	<b>\$ 18,613,244</b>
<b>Liabilities:</b>				
Accounts payable	\$ 1,083,627	\$ 440,027	\$ (1,014,719)	\$ 508,935
Cash overdraft	47,953	-	(46,296)	1,657
Deposits	22,327,172	26,598,445	(30,822,965)	18,102,652
<b>Total liabilities</b>	<b>\$ 23,458,752</b>	<b>\$ 27,038,472</b>	<b>\$ (31,883,980)</b>	<b>\$ 18,613,244</b>

(Concluded)

## Agency Funds

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# Supplementary Section

## Human Services Fund

## Human Services Fund

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The Human Services Fund is a special revenue fund used to account for revenues from federal, state, and local sources that, by law or administrative action, are designated to sustain the City's social service infrastructure to promote a healthy and safe environment for families, the elderly, and youth. Services and programs include self-sufficiency, counseling, and housing assistance. The individual sub-funds included in the Human Services Fund are as follows:

***Community Development Block Grant*** – This fund accounts for grants from the U.S. Department of Housing and Urban Development for the primary purpose of developing viable urban communities.

***HUD/HOPE Grant*** – This fund accounts for monies received through the Housing Authority of Alameda County from the Department of Housing and Urban Development (HUD) for special Housing Opportunities for the People Everywhere (HOPE) grant. Case management is provided to enable functionally impaired older persons to obtain services that promote and maintain their optimum levels of functioning.

***HUD/SHP Grant*** – This fund accounts for funds from the Department of Housing and Urban Development to implement the Homeless Outreach for People Empowerment project.

***Older Americans Grant*** – This fund accounts for federal grant monies received under the Older Americans Act. Case management is provided to enable functionally impaired older persons to obtain services.

***Tri-City Elders*** – The Tri-City Elders Coalition works to identify and effectively meet the needs of seniors to enable them to remain independent in their own homes and communities. This is accomplished through advocacy, education, resource coordination and information sharing.

***Senior Services*** – This fund accounts for revenues and expenditures for programs conducted by the Senior Citizens Center.

***Multipurpose Senior Services Program (MSSP)*** – This fund accounts for monies received from the State Department of Aging (via Federal pass-through) to provide services aimed at allowing frail elders to remain in their homes.

***Area Agency on Aging MSSP*** – This fund accounts for monies received from the State Department of Aging (via County pass-through) to provide services aimed at allowing frail elders to remain in their homes.

***Alameda County Senior Mobile Mental Health*** – This fund accounts for the monies received from the Alameda County Behavioral Health Care Services Department to support a multi-disciplinary team approach to mobile mental health services provided to homebound isolated seniors.

***Family Resource Center*** – This fund accounts for monies received from leases at the Family Resource Center. This revenue is used for maintenance and operating costs of the center.

***Haas Grant*** – This fund accounts for monies from the Evelyn and Walter Haas, Jr. Fund for the Family Resource Center. Funds are used for several FRC program areas.

***Youth Service Center*** – This fund accounts for Youth Service Center grants received from the State Council for Criminal Justice.

***Every Child Counts Grant*** – This fund accounts for monies allocated through Alameda County from State Proposition 10 (tobacco taxes) to support early childhood programs in Youth and Family Services.

***Alameda Behavioral Health Care*** – This fund accounts for the monies used to support a multi-disciplinary team approach to family support at the Family Resource Center.

***Measure B Para-Transit*** – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for the portion of these monies used to partially fund the City's paratransit program.

***Miscellaneous Donations and Grants*** – This fund accounts for donations that support Human Services Department programs, as well as small grants given to Human Services by private contributors.

***Human Services Operating*** – This fund accounts for the administrative staff and operating expenditures necessary to administer the above funds.

**City of Fremont**  
**Supplemental Information**  
**Summary of Human Services Balance Sheet**  
**June 30, 2011**  
(With comparative totals for June 30, 2010)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ 6,211	\$ -	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	811,171	-	147,810	14,582
Housing rehabilitation loans, net	1,481,712	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 2,292,883</b>	<b>\$ 6,211</b>	<b>\$ 147,810</b>	<b>\$ 14,582</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 441,998	\$ -	\$ 65,043	\$ -
Salaries and wages payable	12,860	-	-	-
Due to other funds	369,910	-	82,767	14,582
Other liabilities	-	-	-	-
Deferred revenue	1,468,115	-	-	-
<b>Total liabilities</b>	<b>2,292,883</b>	<b>-</b>	<b>147,810</b>	<b>14,582</b>
<b>Fund Balances:</b>				
Restricted for social service programs	-	6,211	-	-
Committed for social service programs	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>6,211</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,292,883</b>	<b>\$ 6,211</b>	<b>\$ 147,810</b>	<b>\$ 14,582</b>



Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health	Family Resource Center	Haas Grant
\$ 152,795	\$ 275,027	\$ -	\$ -	\$ -	\$ 3,525,500	\$ 3,584
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,500	78,052	30,546	98,276	176,287	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 152,795	\$ 282,527	\$ 78,052	\$ 30,546	\$ 98,276	\$ 3,701,787	\$ 3,584
\$ 627	\$ 9,101	\$ 1,195	\$ -	\$ 1,286	\$ 6,689	\$ -
-	17,931	-	-	-	43,481	-
-	-	76,857	30,546	96,990	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
627	27,032	78,052	30,546	98,276	50,170	-
152,168	-	-	-	-	3,651,617	3,584
-	255,495	-	-	-	-	-
152,168	255,495	-	-	-	3,651,617	3,584
\$ 152,795	\$ 282,527	\$ 78,052	\$ 30,546	\$ 98,276	\$ 3,701,787	\$ 3,584

(Continued)

**City of Fremont**  
**Supplemental Information**  
**Summary of Human Services Balance Sheet, continued**  
**June 30, 2011**

(With comparative totals for June 30, 2010)

	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B Para-Transit
<b>ASSETS</b>				
Cash and investments held by City	\$ -	\$ 317,468	\$ -	\$ -
Restricted cash and investments held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	212,007	345,641	96,401	272,702
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>\$ 212,007</b>	<b>\$ 663,109</b>	<b>\$ 96,401</b>	<b>\$ 272,702</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 154	\$ -	\$ 46,696
Salaries and wages payable	-	-	-	1,510
Due to other funds	212,007	-	96,401	75,076
Other liabilities	-	-	-	-
Deferred revenue	-	8,576	-	-
<b>Total liabilities</b>	<b>212,007</b>	<b>8,730</b>	<b>96,401</b>	<b>123,282</b>
<b>Fund Balances:</b>				
Restricted for social service programs	-	654,379	-	149,420
Committed for social service programs	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>654,379</b>	<b>-</b>	<b>149,420</b>
<b>Total liabilities and fund balances</b>	<b>\$ 212,007</b>	<b>\$ 663,109</b>	<b>\$ 96,401</b>	<b>\$ 272,702</b>

Miscellaneous Donations and Grants	Human Services Operating	Total Summary of Human Services Funds	
		2011	2010
\$ 878,341	\$ 944,817	\$ 6,103,743	\$ 5,126,826
-	-	-	-
-	-	-	-
145,503	-	2,436,478	2,669,473
-	-	1,481,712	1,465,151
-	-	-	194,191
-	34,977	34,977	135,430
-	-	-	-
-	-	-	-
<u>\$ 1,023,844</u>	<u>\$ 979,794</u>	<u>\$ 10,056,910</u>	<u>\$ 9,591,071</u>
\$ 1,587	\$ 43,767	\$ 618,143	\$ 371,271
-	162,185	237,967	61,163
-	-	1,055,136	1,742,153
-	-	-	-
-	-	1,476,691	1,740,531
<u>1,587</u>	<u>205,952</u>	<u>3,387,937</u>	<u>3,915,118</u>
1,022,257	-	5,639,636	5,491,394
-	773,842	1,029,337	184,559
<u>1,022,257</u>	<u>773,842</u>	<u>6,668,973</u>	<u>5,675,953</u>
<u>\$ 1,023,844</u>	<u>\$ 979,794</u>	<u>\$ 10,056,910</u>	<u>\$ 9,591,071</u>

(Concluded)

# City of Fremont

## Supplemental Information

### Summary of Human Services Revenues, Expenditures, and Changes in Fund Balance

#### For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
<b>REVENUES:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	1,585,363	-	269,790	44,568
Investment earnings	-	-	-	-
Other	86,880	-	-	-
<b>Total revenues</b>	<b>1,672,243</b>	<b>-</b>	<b>269,790</b>	<b>44,568</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	303,501	-	-	44,568
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	1,348,732	-	269,475	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>1,652,233</b>	<b>-</b>	<b>269,475</b>	<b>44,568</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>20,010</b>	<b>-</b>	<b>315</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(20,010)	-	(315)	-
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(20,010)</b>	<b>-</b>	<b>(315)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	6,211	-	-
End of year	\$ -	\$ 6,211	\$ -	\$ -

Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health	Family Resource Center	Haas Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,215	137,376	-	-	28,934	1,088,861	-
-	-	235,675	144,854	411,477	99,053	-
2,449	-	-	-	-	50,393	-
29,194	295,032	-	-	-	268,798	-
37,858	432,408	235,675	144,854	440,411	1,507,105	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33,141	779,886	235,675	144,412	404,254	607,906	-
-	-	-	-	-	205,986	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	248,655	-
33,141	779,886	235,675	144,412	404,254	1,062,547	-
4,717	(347,478)	-	442	36,157	444,558	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	429,813	-	-	-	139,878	-
-	(11,399)	-	(4,006)	(36,864)	(857,067)	-
-	-	-	-	-	-	-
-	418,414	-	(4,006)	(36,864)	(717,189)	-
4,717	70,936	-	(3,564)	(707)	(272,631)	-
147,451	184,559	-	3,564	707	3,924,248	3,584
\$ 152,168	\$ 255,495	\$ -	\$ -	\$ -	\$ 3,651,617	\$ 3,584

(Continued)

# City of Fremont

## Supplemental Information, continued

### Summary of Human Services Revenues, Expenditures, and Changes in Fund Balance

#### For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B Para-Transit
<b>REVENUES:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	29,326
Intergovernmental	421,661	886,360	234,076	760,092
Investment earnings	-	-	-	1,122
Other	-	-	-	-
<b>Total revenues</b>	<b>421,661</b>	<b>886,360</b>	<b>234,076</b>	<b>790,540</b>
<b>EXPENDITURES:</b>				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	421,661	798,660	217,442	746,977
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>421,661</b>	<b>798,660</b>	<b>217,442</b>	<b>746,977</b>
<b>EXPENDITURES</b>	<b>-</b>	<b>87,700</b>	<b>16,634</b>	<b>43,563</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(61,087)	(16,634)	(19,200)
Payment to escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(61,087)</b>	<b>(16,634)</b>	<b>(19,200)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>26,613</b>	<b>-</b>	<b>24,363</b>
<b>FUND BALANCES:</b>				
Beginning of year	-	627,766	-	125,057
End of year	\$ -	\$ 654,379	\$ -	\$ 149,420

Miscellaneous Donations and Grants	Human Services Operating	Total Summary of Human Services Revenues, Expenditures, and Changes in Fund Balances	
		2011	2010
\$ -	\$ -	\$ -	\$ -
10,065	188,187	1,488,964	1,654,982
428,698	16,780	5,538,447	4,819,063
-	4,322	58,286	90,850
46,355	32,456	758,715	521,417
485,118	241,745	7,844,412	7,086,312
-	-	-	-
-	-	-	-
227,262	3,112,175	8,077,520	4,909,349
-	-	205,986	55,345
-	-	1,618,207	1,516,187
-	-	-	-
-	-	-	-
-	-	-	-
-	-	248,655	72,162
227,262	3,112,175	10,150,368	6,553,043
257,856	(2,870,430)	(2,305,956)	533,269
-	-	-	-
-	-	-	-
113,747	3,990,682	4,674,120	457,705
(2,152)	(346,410)	(1,375,144)	(750,018)
-	-	-	-
111,595	3,644,272	3,298,976	(292,313)
369,451	773,842	993,020	240,956
652,806	-	5,675,953	5,434,997
\$ 1,022,257	\$ 773,842	\$ 6,668,973	\$ 5,675,953

(Concluded)

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# Statistical Section

This part of the City of Fremont's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	142
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	150
These schedules contain information to help the reader assess the factors affecting the City's ability to generate property tax.	
<b>Debt Capacity</b>	154
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	158
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
<b>Operating Information</b>	163
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2001/02, and implemented GASB Statement 54 in fiscal year 2010/11. Schedules presenting government-wide information include information beginning in those respective years.

**City of Fremont**  
**Net Assets by Component**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*accrual basis of accounting*  
(Unaudited)

	2001/02	2002/03	2003/04	2004/05
Governmental activities				
Invested in capital assets, net of related debt	\$ 482,153,019	\$ 463,205,250	\$ 476,711,460	\$ 477,491,078
Restricted	208,272,548	233,206,982	223,279,148	233,465,777
Unrestricted	43,912,124	44,760,194	47,710,005	50,687,189
Total primary government net assets	\$ 734,337,691	\$ 741,172,426	\$ 747,700,613	\$ 761,644,044

\* Restated for prior period adjustment

## Schedule 1

2005/06	2006/07	2007/08	2008/09	2009/10*	2010/11
\$ 492,609,091	\$ 507,801,920	\$ 597,016,241	\$ 617,287,566	\$ 682,627,226	\$ 685,667,798
232,686,345	253,733,287	262,457,732	258,314,734	194,716,786	208,298,489
52,601,260	51,665,700	43,467,426	39,138,468	42,803,743	33,743,117
\$ 777,896,696	\$ 813,200,907	\$ 902,941,399	\$ 914,740,768	\$ 920,147,755	\$ 927,709,404

**City of Fremont**  
**Changes in Net Assets**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*accrual basis of accounting*  
(Unaudited)

<b>Expenses</b>					
Governmental activities:	2001/02	2002/03	2003/04	2004/05	2005/06
General government	\$ 12,660,953	\$ 12,465,583	\$ 10,497,335	\$ 10,927,465	\$ 11,504,343
Police services	40,344,058	38,441,241	40,613,307	45,097,014	46,923,899
Fire services	24,359,513	24,182,471	23,593,554	26,157,733	27,439,461
Human services	4,843,775	5,782,214	5,532,651	6,006,485	6,622,615
Capital assets maintenance and operations	47,004,298	39,335,850	35,292,159	33,952,582	34,033,545
Recreation and leisure services	6,105,478	5,381,940	5,305,249	4,906,353	5,292,877
Community development and environmental services	33,663,302	36,131,872	39,092,599	44,331,019	46,315,194
Intergovernmental	-	-	-	-	-
Interest on debt	5,988,587	7,457,832	7,754,841	6,939,093	8,749,040
Total primary government expenses	174,969,964	169,179,003	167,681,695	178,317,744	186,880,974
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	740,221	586,848	497,857	711,360	554,714
Police services	4,145,055	4,300,814	4,565,692	4,227,141	4,451,080
Fire services	1,907,064	2,397,907	2,451,767	2,450,562	2,653,190
Human services	945,544	1,259,156	1,316,513	1,292,815	1,646,046
Capital assets maintenance and operations	153,286	1,448,120	1,573,602	1,562,861	1,664,257
Recreation and leisure services	2,977,495	3,306,746	3,491,286	3,474,316	3,473,820
Community development and environmental services	9,545,939	8,261,723	10,871,809	14,626,076	14,870,735
Operating grants and contributions	14,283,788	18,997,590	20,515,161	13,701,055	15,673,580
Capital grants and contributions	6,741,433	5,399,792	741,323	491,304	649,463
Total primary government program revenues	41,439,825	45,958,696	46,025,010	42,537,490	45,636,885
<b>Net (Expense)/Revenue</b>					
Total primary government net expense	(133,530,139)	(123,220,307)	(121,656,685)	(135,780,254)	(141,244,089)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property tax	58,561,392	60,805,988	63,856,070	62,247,469	83,462,380
Sales tax	29,195,816	28,202,974	26,796,489	30,619,014	32,276,785
Motor vehicle in lieu	3,759,737	4,009,909	3,813,050	4,623,173	2,041,387
Revenue loss mitigation	7,808,687	8,004,274	5,728,458	11,157,253	-
Business taxes	5,655,770	5,599,379	5,323,827	6,092,081	6,771,199
Transient occupancy tax	2,175,301	1,798,758	1,830,630	2,017,603	2,342,279
Property transfer tax	986,644	1,096,842	1,549,781	1,784,668	1,948,201
Development impact fees	2,916,140	2,687,489	6,987,670	8,867,917	5,527,178
Franchise fees	7,466,757	6,872,912	7,003,922	7,383,149	7,666,471
Investment earnings	13,082,943	10,184,761	3,438,906	7,304,154	9,049,458
Miscellaneous	3,043,089	791,756	1,856,069	2,461,066	6,411,403
Total primary government general revenues and other changes in net assets	134,652,276	130,055,042	128,184,872	144,557,547	157,496,741
Pollution remediation obligation	-	-	-	-	-
Total primary government change in net assets	\$ 1,122,137	\$ 6,834,735	\$ 6,528,187	\$ 13,943,431	\$ 16,252,652

\* Restated for prior period adjustment

Schedule 2

2006/07		2007/08		2008/09		2009/10*		2010/11	
\$	13,008,021	\$	13,070,910	\$	13,767,479	\$	11,430,814	\$	11,971,463
	50,900,709		54,340,131		55,686,039		55,616,399		54,925,765
	28,586,741		31,949,301		34,614,856		33,959,301		34,482,857
	7,023,486		8,570,232		8,543,626		8,939,110		8,908,446
	51,922,938		45,347,610		38,893,562		46,719,842		42,075,801
	5,746,712		6,248,438		6,929,936		6,868,067		6,731,068
	35,676,597		39,566,083		42,224,384		52,910,594		45,447,180
	-		-		12,740,670		-		-
	9,046,177		9,884,311		9,616,078		4,284,166		6,373,866
	201,911,381		208,977,016		223,016,630		220,728,293		210,916,446
	365,018		1,489,409		1,686,609		916,917		1,000,218
	5,151,589		4,863,088		5,202,320		4,386,919		4,200,213
	2,633,354		2,707,187		2,810,650		2,909,491		2,819,447
	1,938,551		1,775,799		2,069,671		1,864,397		1,563,341
	1,727,489		1,731,401		1,759,999		2,051,575		2,901,266
	3,844,673		4,028,541		4,604,871		5,480,873		5,540,566
	18,364,336		16,404,617		14,598,875		15,953,963		12,755,944
	28,035,029		25,380,774		22,954,564		22,854,182		20,877,645
	231,404		31,205,534		10,507,311		8,382,432		702,431
	62,291,443		89,586,350		66,194,870		64,800,749		52,361,071
	(139,619,938)		(119,390,666)		(156,821,760)		(155,927,544)		(158,555,375)
	90,038,824		98,144,859		103,503,472		102,848,091		100,080,165
	34,190,785		35,583,842		31,631,408		26,769,511		30,089,204
	1,220,418		938,566		727,164		634,305		991,459
	-		-		-		-		-
	6,738,310		7,508,481		7,009,869		7,106,402		6,820,327
	2,885,388		3,181,302		2,864,442		2,866,987		3,475,913
	1,504,708		1,092,279		840,065		975,982		1,031,249
	10,845,865		11,012,026		4,104,115		6,976,919		6,790,105
	7,902,406		7,953,642		8,328,847		7,928,716		8,215,061
	13,758,948		17,425,422		8,981,569		6,358,774		4,296,980
	5,838,497		3,402,237		3,530,178		8,393,566		4,326,561
	174,924,149		186,242,656		171,521,129		170,859,253		166,117,024
	-		-		(2,900,000)		475,000		-
\$	35,304,211	\$	66,851,990	\$	11,799,369	\$	15,406,709	\$	7,561,649

**City of Fremont**  
**Fund Balances, Governmental Funds**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*modified accrual basis of accounting*  
(Unaudited)

	2001/02	2002/03	2003/04	2004/05
General Fund				
Nonspendable:				
Long term loan receivable	\$ -	\$ -	\$ -	\$ -
Prepaid assets	-	-	-	-
Committed for:				
Program investments reserve	-	-	-	-
Assigned for:				
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Reserved	565,560	451,196	563,369	379,089
Unreserved	35,980,749	33,608,581	36,385,524	36,363,031
Total general fund	<u>\$ 36,546,309</u>	<u>\$ 34,059,777</u>	<u>\$ 36,948,893</u>	<u>\$ 36,742,120</u>
All Other Governmental Funds				
Nonspendable:				
Prepaid assets	\$ -	\$ -	\$ -	\$ -
Restricted For:				
Social service programs	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	-	-	-
Recreation programs	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Reserved	77,492,865	64,722,787	83,957,254	96,343,792
Unreserved, designated for:				
Special revenue funds	28,909,816	79,750,606	69,459,148	55,773,577
Capital projects fund	122,189,350	137,990,369	85,662,254	95,326,847
Unreserved, undesignated for:				
Special revenue funds	(2,577,166)	(6,036,223)	-	-
Total all other governmental funds	<u>\$ 226,014,865</u>	<u>\$ 254,123,385</u>	<u>\$ 239,078,656</u>	<u>\$ 247,444,216</u>

Note: The City implemented GASB Statement No. 54 in 2010/11 with restatement to 2009/10.

### Schedule 3

2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
\$ -	\$ -	\$ -	\$ -	\$ 580,699	\$ 571,725
-	-	-	-	10,335	10,827
-	-	-	-	3,660,235	3,660,235
-	-	-	-	684,851	962,406
-	-	-	-	23,964,542	22,856,411
629,338	450,170	202,890	386,227	-	-
39,404,749	41,683,524	35,524,862	30,713,126	-	-
\$ 40,034,087	\$ 42,133,694	\$ 35,727,752	\$ 31,099,353	\$ 28,900,662	\$ 28,061,604
\$ -	\$ -	\$ -	\$ -	\$ 3,764,808	\$ 1,259,814
-	-	-	-	6,430,993	7,469,582
-	-	-	-	7,100,039	7,167,486
-	-	-	-	7,043,810	13,983,749
-	-	-	-	25,516,365	23,021,363
-	-	-	-	141,502,159	148,381,813
-	-	-	-	3,986,842	4,265,262
-	-	-	-	774,382	488,071
-	-	-	-	4,578,109	4,240,492
-	-	-	-	184,559	1,029,337
-	-	-	-	18,244,729	13,447,852
85,903,878	126,727,937	71,138,649	48,982,849	-	-
55,335,438	52,682,836	55,781,769	47,612,657	-	-
106,135,519	119,785,296	153,637,169	175,423,906	-	-
(516,943)	(709,919)	(528,661)	(490,498)	-	-
\$ 246,626,150	\$ 260,671,861	\$ 268,284,736	\$ 268,382,353	\$ 219,126,795	\$ 224,754,821

**City of Fremont**  
**Changes in Fund Balances, Governmental Funds**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*modified accrual basis of accounting*  
(Unaudited)

<b>Revenues</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>
Taxes:				
Property tax	\$ 58,062,912	\$ 60,328,147	\$ 63,385,957	\$ 61,790,662
Sales tax	29,195,816	28,202,974	26,796,489	30,619,014
Motor vehicle in lieu	3,759,737	4,009,909	3,813,050	4,623,173
Revenue loss mitigation	7,808,686	8,004,274	5,728,458	11,157,253
Business taxes	5,655,770	5,599,379	5,323,827	6,092,081
Transient occupancy tax	3,161,945	2,895,600	3,380,411	2,017,604
Property transfer tax	-	-	-	1,784,668
Total taxes	107,644,866	109,040,283	108,428,192	118,084,455
Development impact fees	2,916,140	2,687,489	6,987,670	8,867,917
Franchise fees	7,466,757	6,872,912	7,003,922	7,546,775
Charges for services	19,856,637	21,320,438	24,768,526	27,389,159
Investment earnings	13,739,916	10,045,155	3,403,310	7,229,477
Intergovernmental	14,485,284	19,716,307	20,985,273	14,157,861
Other revenues	3,178,134	730,203	1,779,007	2,394,707
Total revenues	169,287,734	170,412,787	173,355,900	185,670,351
<b>Expenditures</b>				
General government	11,981,513	12,019,481	10,270,078	10,757,407
Police services	39,321,246	37,011,189	37,935,944	43,805,707
Fire services	23,651,021	22,298,745	23,050,940	25,203,843
Human services	4,752,837	5,685,116	5,480,620	5,947,640
Capital assets maintenance and operations	38,223,904	34,452,491	31,838,420	29,115,843
Recreation and leisure services	5,441,694	5,324,337	5,201,139	4,825,523
Community development and environmental services	26,440,166	29,300,150	29,818,864	34,329,281
Intergovernmental	7,405,599	6,371,857	8,940,670	9,761,863
Capital outlay	16,999,390	29,113,450	32,971,268	23,315,029
Debt service:				
Principal	4,835,000	5,385,000	6,455,000	6,730,000
Interest and fiscal charges	6,403,944	7,541,598	8,176,015	7,360,443
Total expenditures	185,456,314	194,503,414	200,138,958	201,152,579
Excess of revenues over (under) expenditures	(16,168,580)	(24,090,627)	(26,783,058)	(15,482,228)
<b>Other Financing Sources (Uses)</b>				
Debt issuance	10,055,000	54,865,000	73,355,000	25,000,000
Premium on debt issue	-	-	-	362,917
Proceeds from HELP Loan	-	-	-	-
Payments to defease bonds	-	-	-	-
Transfers in	75,925,569	103,043,213	39,401,737	47,194,926
Transfer out	(75,417,639)	(102,510,598)	(38,984,292)	(48,916,828)
Payment to escrow agent	-	(5,685,000)	(59,145,000)	-
Total other financing sources (uses)	10,562,930	49,712,615	14,627,445	23,641,015
Net change in fund balances	\$ (5,605,650)	\$ 25,621,988	\$ (12,155,613)	\$ 8,158,787
Debt service as a percentage of noncapital expenditures	6.7%	7.8%	8.8%	7.9%



## Schedule 4

2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
\$ 83,008,738	\$ 89,560,729	\$ 98,144,859	\$ 103,503,472	\$ 102,848,091	\$ 100,080,165
32,276,785	34,190,785	35,583,842	31,631,408	26,769,511	30,089,204
2,041,387	1,220,418	938,566	727,164	634,305	991,459
-	-	-	-	-	-
6,771,199	6,738,310	7,508,481	7,009,869	7,106,402	6,820,327
1,948,201	2,885,388	3,181,302	2,864,442	2,866,987	3,475,913
2,342,279	1,504,708	1,092,279	840,065	975,982	1,031,249
128,388,589	136,100,338	146,449,329	146,576,420	141,201,278	142,488,317
5,527,178	10,845,865	11,012,026	4,104,115	6,976,919	6,790,105
7,666,471	7,902,406	7,953,642	8,328,847	7,928,716	8,215,061
30,054,401	31,755,677	31,599,774	30,910,844	31,553,854	30,763,760
8,888,252	13,405,022	16,955,191	8,760,151	7,325,832	4,062,605
16,127,222	28,513,124	52,363,648	32,643,976	30,710,452	21,342,310
6,350,404	5,769,464	3,980,839	3,460,782	8,326,595	8,631,575
203,002,517	234,291,896	270,314,449	234,785,135	234,023,646	222,293,733
11,012,979	12,094,439	12,628,762	11,711,458	11,126,970	11,626,724
46,191,569	50,065,794	52,837,739	54,573,391	53,798,999	53,438,082
26,501,821	27,630,794	30,364,662	32,710,995	31,471,578	32,088,475
6,560,721	6,995,637	8,565,647	8,582,926	8,929,839	8,937,090
27,361,954	48,265,999	42,341,852	39,069,515	40,386,402	37,741,086
5,233,963	5,588,467	6,188,443	6,876,778	6,720,593	6,509,957
35,811,739	26,563,329	29,316,813	42,360,414	28,393,990	30,765,728
10,187,704	8,550,372	10,170,059	12,753,545	26,182,316	16,404,213
13,254,734	13,142,337	57,959,324	39,318,636	41,936,766	24,358,920
9,675,000	9,975,000	10,300,000	20,390,000	8,130,000	4,680,000
8,705,701	8,810,719	8,186,907	10,235,890	7,021,913	6,730,327
200,497,885	217,682,887	268,860,208	278,583,548	264,099,366	233,280,602
2,504,632	16,609,009	1,454,241	(43,798,413)	(30,075,720)	(10,986,869)
-	-	-	92,360,000	-	15,000,000
-	-	-	353,665	-	-
-	-	-	1,500,000	-	-
-	-	-	-	(22,085,000)	-
45,655,624	74,488,066	124,375,710	71,731,048	51,893,739	48,045,240
(45,686,355)	(74,951,757)	(123,829,663)	(71,155,437)	(51,187,268)	(47,269,403)
-	-	-	(57,815,000)	-	-
(30,731)	(463,691)	546,047	36,974,276	(21,378,529)	15,775,837
\$ 2,473,901	\$ 16,145,318	\$ 2,000,288	\$ (6,824,137)	\$ (51,454,249)	\$ 4,788,968
9.8%	9.2%	8.8%	12.8%	6.8%	5.5%

**City of Fremont**  
**Assessed Value and Actual Value of Taxable Property**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*in thousands of dollars*  
(Unaudited)

**Schedule 5**

Fiscal Year	City				Redevelopment Agency				City Direct Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2002	\$ 21,033,633	\$ 2,454,831	\$ (588,039)	\$ 22,900,425	\$ 2,208,392	\$ 683,937	\$ (40,432)	\$ 2,851,897	0.0000%
2003	22,308,180	2,329,805	(598,741)	24,039,244	2,354,328	696,088	(43,139)	3,007,277	0.0000%
2004	23,587,791	2,201,334	(603,544)	25,185,581	2,450,093	633,385	(44,925)	3,038,553	0.2900%
2005	24,901,891	1,893,085	(635,980)	26,158,996	2,552,704	545,786	(62,797)	3,035,693	0.2300%
2006	26,823,571	2,026,153	(668,294)	28,181,430	2,721,854	550,430	(65,890)	3,206,394	0.7900%
2007	28,907,217	2,036,828	(715,350)	30,228,695	2,921,642	533,612	(57,752)	3,397,502	0.4400%
2008	30,946,443	2,063,841	(732,041)	32,278,243	3,256,501	563,757	(71,929)	3,748,329	0.0042%
2009	32,521,734	2,185,774	(753,714)	33,953,794	3,534,749	554,175	(93,021)	3,995,903	0.0079%
2010	32,197,081	2,445,549	(809,531)	33,833,099	3,535,085	614,481	(99,204)	4,050,362	0.0107%
2011	32,096,417	2,550,780	(841,788)	33,805,409	3,345,741	585,154	(104,760)	3,826,135	0.0098%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of \$1 based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" limited to a maximum increase of 2%. With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Alameda

**City of Fremont****Direct and Overlapping Property Tax Rates****Schedule 6****June 30, 2011****Last Ten Fiscal Years***accrual basis of accounting*

(Unaudited)

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Fiscal Year Ended June 30,	City Direct Rate	Overlapping Rates			Total Direct and Overlapping Rate
	General Obligation Debt Service	County	School District	Special Districts	
2002	-	1.0000%	0.0234%	0.0136%	1.0370%
2003	-	1.0000%	0.0572%	0.0121%	1.0693%
2004	0.0029%	1.0000%	0.0742%	0.0106%	1.0877%
2005	0.0023%	1.0000%	0.0761%	0.0092%	1.0876%
2006	0.0079%	1.0000%	0.0626%	0.0154%	1.0859%
2007	0.0044%	1.0000%	0.0520%	0.0246%	1.0810%
2008	0.0042%	1.0000%	0.0610%	0.0402%	1.1054%
2009	0.0079%	1.0000%	0.0594%	0.0453%	1.1126%
2010	0.0107%	1.0000%	0.0622%	0.0293%	1.1022%
2011	0.0098%	1.0000%	0.0844%	0.0375%	1.1317%

NOTE: In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source: Alameda County Auditor-Controller

**City of Fremont**  
**Principal Property Tax Payers**  
**June 30, 2011**  
**Current Year and Nine Years Ago**  
*in thousands of dollars*  
(Unaudited)

**Schedule 7**

Taxpayer	2011			2002		
	Total Assessed Value	Rank	% of Total City Taxable Assessed Value	Total Assessed Value	Rank	% of Total City Taxable Assessed Value
New United Motors Manufacturing, Inc.	\$ 1,014,085	1	3.00%	\$ 937,590	1	3.99%
Catellus Development Corporation	453,137	2	1.34%	215,607	3	0.92%
John Arrilago & Richard Peery	244,198	3	0.72%	113,287	7	0.48%
Sobrato Interests II LP	207,628	4	0.61%	-	-	-
Transcontinental Northern California Inc.	189,386	5	0.56%	-	-	-
SCI LP I	149,170	6	0.44%	123,562	4	0.65%
BNP Paribas Leasing Corporation	74,108	7	0.22%	-	-	-
Hub Bayside Properties LLC	57,365	8	0.17%	-	-	-
AMB Property Limited Partnership	55,950	9	0.17%	66,284	9	0.28%
Northern California Industrial Portfolio	55,948	10	0.17%	-	-	-
Znag International Inc.	-	-	-	289,836	2	1.23%
CalWest Industrial Properties LLC	-	-	-	165,284	5	0.71%
BRA Properties Inc.	-	-	-	125,392	6	0.53%
Renco Equities IV	-	-	-	95,182	8	0.41%
Walton Fremont Investors	-	-	-	59,423	10	0.25%
Total	<u>\$ 2,500,975</u>		<u>7.40%</u>	<u>\$ 2,191,447</u>		<u>9.45%</u>

Source: Alameda County Assessor's Office

**City of Fremont**  
**Property Tax Levies and Collections**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
(Unaudited)

**Schedule 8**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections <sup>2</sup>
		Amount <sup>1</sup>	Percentage of Levy	
2002	\$ 31,962,996	\$ 29,283,511	91.62%	\$ 2,385,822
2003	30,888,453	30,590,082	99.03%	2,567,902
2004	34,570,844	32,293,219	93.41%	2,651,389
2005	33,172,968	31,144,068	93.88%	2,971,267
2006	37,397,322	36,703,548	98.14%	4,371,657
2007	42,070,561	38,624,386	91.81%	4,026,116
2008	44,399,789	40,733,978	91.74%	3,539,003
2009	44,177,923	42,805,006	96.89%	3,825,298
2010	43,616,959	42,782,214	98.09%	3,176,030
2011	43,687,455	43,356,624	99.24%	2,510,954

<sup>1</sup>Sources: City of Fremont Finance Department, Treasury Division, and Alameda County Auditor - Controller

<sup>2</sup> Unable to determine subsequent collections by fiscal year. Amounts shown are total collections of delinquent taxes during year.

**City of Fremont**  
**Ratios of Outstanding Debt by Type**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*dollars in thousands, except per capita*  
(Unaudited)

**Schedule 9**

Fiscal Year Ended June 30,	Governmental Activities				Percentage of Actual Taxable Value <sup>a</sup> of Property	Percentage of Personal Income	Per Capita <sup>b</sup>
	General Obligation Bonds	Redevelopment Bonds	Certificates of Participation	Total Primary Government			
2002	\$ -	\$ 47,445	\$ 115,110	\$ 162,555	0.71%	N/A	\$ 779.27
2003	-	62,690	143,660	206,350	0.86%	N/A	987.33
2004	10,000	62,505	141,600	214,105	0.85%	N/A	1,024.03
2005	34,820	58,930	138,625	232,375	0.89%	N/A	1,109.61
2006	34,630	53,365	134,705	222,700	0.79%	N/A	1,059.68
2007	34,430	47,645	130,650	212,725	0.70%	N/A	1,005.02
2008	34,220	41,765	126,440	202,425	0.63%	N/A	948.07
2009	50,000	26,070	140,510	216,580	0.64%	2.61%	1,004.38
2010	49,260	-	137,105	186,365	0.55%	2.35%	854.38
2011	48,205	-	148,480	196,685	0.58%	2.20%	911.80

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See schedule 5 for property value data.

<sup>b</sup> Population data can be found in Schedule 13.

**City of Fremont**  
**Ratios of General Bonded Debt Outstanding**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*dollars in thousands, except per capita*  
(Unaudited)

**Schedule 10**

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Redevelopment Bonds	Total		
2002	\$ -	\$ 47,445	\$ 47,445	0.19%	\$ 227.44
2003	-	62,690	62,690	0.23%	299.96
2004	10,000	62,505	72,505	0.26%	346.78
2005	34,820	58,930	93,750	0.32%	447.66
2006	34,630	53,365	87,995	0.28%	418.71
2007	34,430	47,645	82,075	0.24%	387.76
2008	34,220	41,765	75,985	0.21%	355.88
2009	50,000	26,070	76,070	0.20%	352.77
2010	49,260	-	49,260	0.13%	225.83
2011	48,205	-	48,205	0.13%	223.47

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See schedule 5 for property value data.

<sup>b</sup> Population data can be found in Schedule 13.

**City of Fremont**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2011**  
(Unaudited)

**Schedule 11**

	<b>Total Debt 6/30/11</b>	<b>Percentage Applicable (1)</b>	<b>City's Share of Debt 6/30/11</b>
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
City of Fremont	\$ 48,205,000	100.000%	\$ 48,205,000
Total Direct Tax Debt	48,205,000		48,205,000
Bay Area Rapid Transit District	413,865,000	7.036%	29,119,541
Chabot-Las Positas Community College District	454,819,320	0.007%	31,837
Ohlone Community College District	130,140,000	82.903%	107,889,964
Fremont Unified School District	188,864,060	100.000%	188,864,060
Sunol Glen Unified School District	1,194,789	0.283%	3,381
City of Fremont Community Facilities District No. 1	66,970,000	100.000%	66,970,000
City of Fremont 1915 Act Bonds	5,810,000	100.000%	5,810,000
Washington Township Healthcare District	70,425,000	71.073%	50,053,160
East Bay Regional Park District	153,990,000	10.902%	16,787,990
Total Overlapping Tax and Assessment Debt	1,486,078,169		465,529,933
Total Direct and Overlapping Tax and Assessment Debt	1,534,283,169		513,734,933
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
City of Fremont Certificates of Participation	148,480,000	100.000%	148,480,000
Total Direct General Fund Debt	148,480,000		148,480,000
Alameda County General Fund Obligations	711,512,000	18.152%	129,153,658
Alameda County Pension Obligations	154,584,741	18.152%	28,060,222
Alameda-Contra Costa Transit District Certificates of Participation	37,465,000	22.144%	8,296,250
Chabot-Las Positas Community College District Certificates of Participation	4,495,000	0.007%	315
Total Overlapping General Fund Debt	908,056,741		165,510,445
Total Direct and Overlapping General Fund Debt	1,056,536,741		313,990,445
COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$ 2,590,819,910		\$ 827,725,378 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.



**City of Fremont**  
**Legal Debt Margin Information**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
*dollars in millions*  
(Unaudited)

**Schedule 12**

Assessed value of property	<u>\$ 33,805</u>	
Debt limit (15% of assessed value)		\$ 5,071
Debt applicable to limit:		
Total Debt	197	
Less Certificates of Participation not subject to limit	<u>148</u>	
Amount of debt subject to limit		<u>48</u>
Legal debt margin		<u>\$ 5,023</u>

	Fiscal Year									
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Debt Limit	\$ 3,435	\$ 3,606	\$ 3,778	\$ 3,924	\$ 4,227	\$ 4,534	\$ 4,842	\$ 5,093	\$ 5,075	\$ 5,071
Total net debt applicable to limit	-	-	10	35	35	34	34	50	49	48
Legal debt margin	\$ 3,435	\$ 3,606	\$ 3,768	\$ 3,889	\$ 4,192	\$ 4,500	\$ 4,808	\$ 5,043	\$ 5,026	\$ 5,023
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.26%	0.89%	0.82%	0.75%	0.70%	0.98%	0.97%	0.95%

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation date for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Fremont Finance Department, County of Alameda Tax Assessor's Office

**City of Fremont**  
**Demographic and Economic Statistics**  
**June 30, 2011**  
**Last Ten Calendar Years**  
(Unaudited)

**Schedule 13**

Year	Population	Alameda County Median Income *	Per Capita Personal Income	Median Age	Fremont Average Household Income **	Unemploy- ment Rate ***	Level of Educational Attainment of People 25 years & Older			Distribution of Jobs by Major Employment Sectors			
							College/ Associate Degree	High School Graduate	Less than High School Degree	Manufact./ Wholesale	Retail	Service	Other
2002	208,600	\$ 38,044	N/A	35	\$ 86,189	4.8%	39%	48%	13%	32%	16%	31%	21%
2003	208,998	38,411	N/A	35	103,100	4.9%	39%	48%	13%	33%	15%	32%	20%
2004	209,080	39,779	N/A	35	104,600	4.2%	51%	37%	12%	32%	15%	32%	21%
2005	209,421	40,613	N/A	35	104,600	3.6%	51%	37%	12%	32%	15%	32%	21%
2006	210,158	42,360	N/A	35	100,500	3.1%	51%	37%	12%	41%	10%	39%	10%
2007	211,662	43,220	N/A	35	122,388	3.4%	51%	37%	12%	40%	10%	40%	10%
2008	213,512	43,872	N/A	35	124,600	4.4%	51%	37%	12%	40%	10%	40%	10%
2009	215,636	N/A	\$ 37,341	35	122,000	8.1%	51%	37%	12%	40%	10%	40%	10%
2010	218,128	N/A	36,310	35	122,000	8.3%	51%	37%	12%	41%	10%	41%	8%
2011	215,711	N/A	41,532	35	123,067	7.4%	51%	37%	12%	41%	10%	41%	8%

\* Source: California Franchise Tax Board, Personal Income Tax Statistics (All Returns - Taxable and Nontaxable)

\*\* Source: 2006 and prior years - Association of Bay Area Governments, 2007, 2008, 2009 - Claritas Estimates (found in City of Fremont website), 2010 and 2011 - CLRSearch.com

\*\*\* Source: 2001 and prior years - California Employment Development Department (for Alameda County). For 2002 and going forward, the unemployment rate is noted for the City of Fremont (same source).

**City of Fremont**  
**Construction Permits and Estimated Value**  
**June 30, 2011**  
**Last Ten Fiscal Years**  
(Unaudited)

**Schedule 14**

Fiscal Year	Commercial/Industrial		Residential		Total	
	Number of Permits	Estimated Value	Number of Permits	Estimated Value	Number of Permits	Estimated Value
2001/02	811	\$ 145,224,742	4,162	\$ 93,908,111	4,973	\$ 239,132,853
2002/03	744	88,715,823	3,946	93,082,949	4,690	181,798,772
2003/04	748	131,361,568	4,475	109,895,757	5,223	241,257,325
2004/05	768	164,351,160	4,392	159,569,872	5,160	323,921,032
2005/06	935	179,211,699	4,361	160,838,698	5,296	340,050,397
2006/07	927	155,059,489	4,346	130,771,602	5,273	285,831,091
2007/08	892	244,837,898	3,464	146,059,745	4,356	390,897,643
2008/09	829	94,886,907	2,970	122,842,111	3,799	217,729,018
2009/10	894	322,308,508	3,195	116,043,844	4,089	438,352,352
2010/11	892	110,096,205	2,927	119,479,395	3,819	229,575,600

Source: City of Fremont Community Development Department

**City of Fremont**  
**Principal Employers**  
**June 30, 2011**  
**Last Ten Calendar Years**  
(Unaudited)

Employer	2011*			2010*		2009 *		2008 *	
	(A)	#	Rank	(A)	Rank	(A)	Rank	(A)	Rank
Fremont Unified School District	3.27%	3,000	1	3.02%	1	1.52%	3	1.51%	3
Washington Hospital	1.98%	1,817	2	1.81%	2	2.18%	2	2.16%	2
Boston Scientific/Target Therapeutics, Inc.	1.31%	1,200	3	1.81%	3	1.09%	4	1.08%	7
Western Digital	1.20%	1,200	4	1.81%	4	0.91%	6	1.05%	9
Seagate Magnetics	1.16%	1,060	5	1.06%	5	0.96%	5	0.99%	8
AXT Incorporated	1.06%	972	6	0.96%	6	0.88%	7	0.88%	10
Lam Research Corporation	1.00%	920	7	0.96%	7	0.84%	8	1.14%	6
City of Fremont	0.93%	848	8	0.85%	9	0.84%	9	-	-
DMS Facility Services, Inc.	0.87%	800	9	-	-	-	-	-	-
Solyndra	0.87%	800	10	0.81%	10	-	-	-	-
Sysco Food Services	-	-	-	0.76%	-	-	-	-	-
Oplink Communications	-	-	-	0.91%	8	0.82%	10	1.39%	4
New United Motor Manufacturing	-	-	-	-	-	4.27%	1	4.68%	1
Office Depot	-	-	-	-	-	0.82%	10	-	-
Smart Modular Technologies	-	-	-	-	-	-	-	1.19%	5
Asyst Technologies	-	-	-	-	-	-	-	-	-
Solelectron California Corp./Fine Pitch	-	-	-	-	-	-	-	-	-
Synnex Information Tech. Inc.	-	-	-	-	-	-	-	-	-
MMC Technology	-	-	-	-	-	-	-	-	-
Kaiser Permanente	-	-	-	-	-	-	-	-	-
Sanmina-SCI	-	-	-	-	-	-	-	-	-
Scios, Inc.	-	-	-	-	-	-	-	-	-
Excel, Inc.	-	-	-	-	-	-	-	-	-
Tandem Staffing	-	-	-	-	-	-	-	-	-
Avant! Corporation	-	-	-	-	-	-	-	-	-
Credence Systems Corporation	-	-	-	-	-	-	-	-	-
Read-Rite Corporation	-	-	-	-	-	-	-	-	-
L S I Logic Corporatino	-	-	-	-	-	-	-	-	-
Extron Logistics, LLC	-	-	-	-	-	-	-	-	-

(A) Percentage of total employment.

\* The number of total employment for the City is available for the last five fiscal years only.

\*\* Information not available

## Schedule 15

2007 *		2006	2005	2004	2003	2002 **
(A)	Rank	Rank	Rank	Rank	Rank	Rank
1.57%	3	-	-	-	-	-
2.25%	2	-	-	-	-	-
1.12%	6	-	9	-	-	-
1.03%	7	7	10	-	-	-
-	-	-	-	6	6	-
0.91%	8	-	-	-	-	-
1.18%	5	2	4	2	2	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6	-	8	8	-
0.84%	10	-	-	-	-	-
5.34%	1	1	1	1	1	-
0.84%	10	4	7	-	-	-
1.23%	4	-	5	-	-	-
0.89%	9	-	-	-	-	-
-	-	5	8	-	-	-
-	-	-	-	4	4	-
-	-	3	6	-	-	-
-	-	8	-	-	-	-
-	-	9	-	-	-	-
-	-	10	-	-	-	-
-	-	-	2	-	-	-
-	-	-	3	-	-	-
-	-	-	-	3	3	-
-	-	-	-	5	5	-
-	-	-	-	7	7	-
-	-	-	-	9	9	-
-	-	-	-	10	10	-

**City of Fremont**  
**Full-time Equivalent City Government Employees by Function/Program**  
**June 30, 2011**  
**Last Ten Calendar Years**  
(Unaudited)

**Schedule 16**

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<u><b>Public Safety</b></u>										
Fire	176.20	176.00	157.60	153.00	153.00	153.00	161.00	161.00	152.00	152.50
Police	337.75	337.75	292.90	299.10	294.00	294.00	302.00	302.00	287.00	287.00
Total	513.95	513.75	450.50	452.10	447.00	447.00	463.00	463.00	439.00	439.50
<u><b>Other Community Services</b></u>										
Development & Environ. Services	146.80	147.70	121.42	121.00	123.2	106.42	108.3	113.5	99.27	98.34
Economic Development	6.00	4.70	3.64	4.75	4.64	4.64	4.69	4.68	4.57	3.65
Human Services	40.95	44.95	40.57	40.67	43.97	43.97	52.32	52.80	51.80	54.50
Transportation and Operations	145.00	153.00	131.50	132.05	129.3	112.9	116.15	116.025	103.11	103.23
Parks and Recreation	38.60	40.25	36.10	34.85	33.35	67.35	67.35	69.35	61.85	61.85
Housing and Redevelopment	16.05	17.35	13.04	14.68	14.54	13.99	12.91	13.72	11.93	12.10
Total	393.40	407.95	346.27	348.00	349.00	349.27	361.72	370.08	332.53	333.67
<u><b>Administrative Systems</b></u>										
City Manager's Office	4.00	4.00	3.00	3.00	3.00	3.00	3.00	2.75	1.75	1.75
Administrative Systems Office	12.00	11.10	5.50	6.50	5.30	4.70	4.70	4.70	3.50	4.40
City Attorney	13.00	13.00	12.00	11.00	10.75	10.75	10.75	10.50	9.42	9.42
City Clerk	9.00	10.50	7.50	7.40	6.40	6.30	5.30	5.30	4.25	4.20
Finance	29.65	30.05	25.40	26.40	25.75	25.75	24.75	24.75	21.65	21.65
Information Systems	18.00	21.00	20.40	20.40	20.40	20.40	21.90	21.90	19.90	19.90
Human Resources	21.00	21.00	17.00	17.50	17.00	17.00	17.00	17.00	14.00	14.00
Total	106.65	110.65	90.80	92.20	88.60	87.90	87.40	86.90	74.47	75.32
<b>CITYWIDE TOTAL</b>	<b>1,014.00</b>	<b>1,032.35</b>	<b>887.57</b>	<b>892.30</b>	<b>884.60</b>	<b>884.17</b>	<b>912.12</b>	<b>919.98</b>	<b>846.00</b>	<b>848.49</b>

**City of Fremont**  
**Operating Indicators by Function/Program**  
**June 30, 2011**  
**Last Ten Calendar Years**  
(Unaudited)

**Schedule 17**

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011*</b>
<u><b>Police</b></u>										
Physical arrests	7,013	6,959	5,658	6,696	6,503	6,535	6,345	5,903	5,731	4,920
Vehicle moving and parking violations	17,615	17,453	15,937	14,176	10,762	14,545	17,563	15,849	15,839	16,219
<u><b>Fire</b></u>										
Emergency responses **	12,786	12,761	13,176	12,979	13,338	13,535	13,190	13,067	12,958	12,931
Fires extinguished	366	370	476	447	383	489	462	371	360	317
<u><b>Parks and recreation</b></u>										
Number of recreation classes registrants	23,393	21,711	21,101	23,150	22,325	24,072	23,885	23,329	25,410	26,000

\*Projected through year end based on data received through October, 2011.

\*\* Includes responses within the City of Fremont only; does not include mutual aid responses to Union City, Newark, etc.

**City of Fremont**  
**Capital Asset Statistics by Function/Program**  
**June 30, 2011**  
**Last Ten Calendar Years**  
(Unaudited)

**Schedule 18**

<u>Function/Program</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Police fleet cars & motorcycles	286	288	289	285	285	285	199	186	168	179
<u>Fire</u>										
Stations	11	10	10	10	10	10	10	11	11	11
Engines	16	16	16	16	16	16	16	16	16	16
Trucks	3	3	3	3	3	3	3	3	3	3
Patrols (Wildland units, etc.)	6	6	6	6	6	6	6	6	6	6
<u>Parks and recreations</u>										
Acreage	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,053	1,191
Playgrounds	52	52	52	52	52	52	52	52	52	52
Baseball/softball diamonds	24	24	24	24	24	24	24	24	24	24
Soccer/football fields	17	17	17	17	17	17	17	17	17	17
Community centers	5	5	5	5	5	5	5	5	5	5
Water park	-	-	-	-	-	-	-	1	1	1



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council  
Of the City of Fremont  
Fremont, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Fremont, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, as item FS 2011-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Members of City Council  
Of the City of Fremont  
Fremont, California  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Caporicci & Larson, Inc.*

Caporicci & Larson, Inc.  
A Subsidiary of Marcum LLP  
Certified Public Accountants  
San Francisco, California  
December 29, 2011

**City of Fremont**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2011**

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**FS 2011-01: Prior Period Adjustment (Significant Deficiency)**

**Criteria:**

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

**Condition:**

The City has restated its previously issued financial statements to record allowances of \$11,278,053 for uncollectable notes receivables and related interest receivables on affordable housing developer loans.

**Cause:**

The City's internal controls over financial reporting did not identify the misstatement in a timely manner.

**Context and Effect:**

The previously issued financial statements were not presented in conformity with accounting principles generally accepted in the United States of America.

**Recommendation:**

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

**Management Response:**

Because of their nature, affordable housing loans have always been fully reserved because the amount and timing of any repayment is not known and, by their terms, the loans may be partially or fully forgiven if certain criteria are met. It is not clear why the interest receivable on these loans was also not fully reserved, because the same treatment applied to the underlying loan should have also applied to any interest accruing on that loan. Because of the long-term nature of the receivable, it has not been reported at the fund level, only at the entity-wide level. We will review and expand our year-end closing procedures to ensure that all non-routine and nonsystematic transactions are accounted for, the appropriate accounting standards are applied, and transactions are accounted for in the proper period.